The MAGAZINE of WALL STREET

BANKING EDITOR H. PARKER WILLIS
EDITOR RICHARD D. WYCKOFF
MANAGING EDITOR E. D. KING

THE OUTLOOK

The College of Business Administration BOSTON UNIVERSITY

Business and Taxation—Forecasts for the New Year — Refinancing of Business — Important Matters to Clear Up—The Market Prospect

NOT for a good many years, probably, has there been so general, indeed so nearly unanimous, an expression of support and approval for any measure as that which has come to Secretary Mellon's tax plan. Corporations are asking their stockholders to support it, business men's organizations are acting through their members in furthering its progress, and individuals of influence and standing are doing what they can to ensure a favorable consideration for it.

This point of view on the part of business is not strange. It naturally follows from the recognition that there is today no greater barrier to successful business, no greater discouragement to the investment of capital, and no more serious obstacle to saving than that which is afforded by the present system of taxation. If it could be modified, even to the limited extent called for in the Mellon plan, the effect would be to furnish a remarkable stimulus to business, and there can be no doubt that the immediate result would be an enhancement of property values at the same time that prices to the average man were reduced. It is a measure which will work to the advantage of every citizen in the community and from which all will therefore profit.

If there be one element in the community that may expect to receive greater advantage than any other it will undoubtedly be the employed man who has no invested income. In two ways, the new measure will greatly aid him. First of all, it will tend to cut his cost of living, which is now so high as to render it very difficult for the so-called middle class in the community to maintain itself—let alone savings of any amount. In the second place, it will powerfully tend to preserve his opportunity for employment, by increasing the amount of capital available for reinvestment, or, in other words, the amount of capital which furnishes a demand for his services and which pays his wages or salary. Next to him, the advantage of the measure will secure to those who have heretofore been paying any income tax upon moderate annual receipts, some or all of which are derived from labor. Upon him it will confer the direct benefit of lightening his burden of taxation in a very material degree, and to that extent of putting him into correspondingly better position to enlarge his consumption or to make further saving.

There was never a more untruthful or unfair charge than that which asserts that the proposed measure would work only in the interests of the "rich." The bulk of the larger incomes, in any case, goes back into reinvestment, and such effect as the new measure may produce in heightening the value of stocks and bonds will result in corresponding benefit to the millions of holders all over the country. The so-called "rich" have their property today largely invested in tax-exempt securities either of federal, state or municipal origin. They do not care much about the system of taxation, because they are exempt from it in any case. It is the active man who employs labor and the employed man himself who are most directly influenced by this essential reform.

It would be well if these simple and elementary truths could be made generally known. Were they thus spread abroad it would be impossible to develop the class hatred and prejudice which is now being so broadly stimulated and is taking such deep

root under the influence of politicans and vote-hunters. Nothing has ever redounded so greatly to the discredit of a large section of Congress as the effort which is now making in that body to block or hinder the progress of a measure of relief which is designed to work in the interests of the country as a whole and not in that of any particular class or interest, however worthy. Is it not possible to get some kind of fair consideration of, and attention to, the real facts about this proposed legislation?

NEW YEAR'S FORECASTS

THE usual crop of forecasts concerning prospects for 1924 has come to hand and reveals the familiar differences of opinion among the prophets. Perhaps, however, the differences of opinion are not as pronounced as they frequently are, and for the good reason that there is tolerably wide agreement that business conditions are in somewhat of a transition stage, with no definite indications one way or the other.

Apparently a good many are of the opinion that neither a "boom" nor a depression is to be expected during the coming months, and that only the familiar "moderate and sporadic" advance in stocks is to be looked for if any. However this may be, the fact remains that there is nowhere any authoritative prediction of unfavorable developments. In so far as these are to be anticipated, they plainly will be the result of our own unwisdom in dealing with economic questions by legislation, or in refusing to share in plans for the improvement of European conditions. Either or both of these factors may have a bad influence, and yet there is no little ground for believing that the outlook is better than it has been in past months on both scores.

So the current forecasters, whatever may be their percentage of error as to details, are doubtless right in the belief that prospects today favor genuine prosperity on a modest scale for the early months of 1924; indeed, so far as can be foreseen, for the whole of the year. This makes a state of things in which business and investment ought to move forward courageously.

CAN THE GERMANS PAY?

AS our delegates arrive at Berlin, the question whether the Germans can pay and if so how is again brought to the front as the fundamental issue in reparations. Of course, there is no answer to this question until we can define what is meant by the term "pay." It was unfortunate that, on the eve of the departure of one of the delegates, there should have been a revival of the talk about investigating the banks in this country to find out how much they were holding for foreigners and what they were doing in the way of placing German funds.

These funds, whatever they may be, belong to individuals, and it is to be hoped that no group of great nations, or any body of men representing them, has the notion of attempting to take private property without due process of law or of undertaking to expropriate foreign holders who have acquired titles to bank deposits or other property in a civilized and peaceful country. That would be turning the "reparations" proposal upside down with a vengeance. The hasty provisions of the Versailles Treaty afford no warrant for it. There would be no chance of reparation for the evil which would thus be inflicted upon property rights and individual protection all over the world.

What the Germans can pay is the amount that Germany as a nation can pay by regular methods, as the result of legitimate and orderly taxation levied upon her citizens and her industry, by the same modes of procedure that have always been used in civilized countries since the opening of the modern period.

REFORMING BUSINESS

STUDY of the work of the year 1923 shows that the comparative quiet of foreign trade, and the moderate character of the business which prevailed domestically during a part of the year, has at least given opportunity for important reorganization of American business. This reorganization has taken the form of recapitalization. The total volume of securities issued (including refunding) now appears as a huge sum of $3,700,000,000. Of this amount, probably about $2,900,000,000 was issued in the form of industrial securities and the remainder on behalf of the railroads.

There has been no such extension of business into new fields as to call for any such sale of securities, and the fair inference to be drawn is that the action so taken represents largely rearrangement of capital obligations. This in fact is the case. Many concerns have put their bank borrowings into permanently capitalized form, while others have obtained new accommodation for the purpose of developing their business on a firmer basis, and still others have seized the opportunity afforded by abundant money and low rates to obtain capital which ordinarily they could not have got the use of.

All this leaves the business situation, from

the fiscal standpoint, in a greatly improved position, and affords assurance of better prospects for the coming year in the matter of credit and need for accommodation than could otherwise possibly have been looked for. It is a phase of the developments of 1923 that is too often neglected.

THE "PUBLIC" AND THE MARKET

COMPLAINT is again heard because the "public" is not showing much disposition, or at least not as much as it should, to come into the "market"; or in other words to purchase stocks. There are several reasons for this situation that ought to be thoroughly understood. As a matter of fact, the American public is always at least normally interested in speculation, and disposed to make whatever return it can in that branch of activity. But the public, during the past few months, has received a good many warnings concerning conditions which render speculation unusually hazardous, and it has not been advised that these conditions have been in any way cleared up.

As we have often noted on former occasions, the "bucket shop" disclosures of some months ago affected only a very small proportion of the brokerage community, and the fears or doubts felt by the "public" as a result may very easily be regarded as unwarranted or not sustained by facts. That may easily be the case, and yet the reluctance to enter the market may none the less be considerable. In the interest of active and sound business the bad conditions complained of ought to be cleared up.

On the other hand, the public is undoubtedly repelled by the constant political agitation at Washington, as regards matters which it wants to see settled, before committing itself very largely in a speculative way. Here is a perfectly definite problem for solution by those who want to get a wider distribution of securities. What will they do toward solving it?

RESERVE BANKS IN THE STOCK MARKET?

IT seems an astonishing and preposterous thing that reserve banks should be in, or contemplate going into, the stock market, and yet that is practically the outcome of the announcement unofficially made that these institutions are planning through their "open market policy" to become active buyers of Government securities in order to reconstitute their portfolios as commercial paper holdings fall off or mature. Foreign central banks do not pursue any such plan, or at all events never did, up to the time when they were compelled to change their attitude materially in many ways as a result of war and war finance. They regarded it as no part of their function to hold bonds or securities, but they held that their duty was discharged only as they successfully and skilfully went into and out of the actual discount market.

Reserve banks, before we ourselves went into the war, had some Government bonds, but they were very hesitant about buying them largely, while they regarded their holdings, whatever they were, as being little more than "pot boilers." Having become accustomed to war and war finance, they took to holding larger quantities of bonds, and a year ago had a portfolio which was primarily made up of Government obligations. This was reduced during the year as the needs of the community for commercial loans increased, and now the intention is said to be that of resuming the purchase of Government obligations partly to cover expenses, and partly to avoid reductions in rates of discount which would otherwise have to be made for the purpose of "forcing" funds into the market.

THE MARKET PROSPECT

A FULL analysis of present and prospective tendencies in the stock market will be found on page 485.

In the next issue we shall publish an important article describing factors in the railroad situation which will probably lead to a greater interest in railroad securities than that manifested for a long time. In the meantime we urge investors who have been patiently holding these securities, especially the low-priced stocks, to retain them.

This amazing article was written by Mr. Knappen after conferences with a number of authorities in the U. S. Government, notably Prof. David Friday, eminent economist and director of the Department of Research of the National Transportation Institute. The article is presented in two parts of which the second will appear in the next issue.

Is the Industrial Centre Shifting to the West?

1—The Striking Changes that Have Already Occurred —What the Trend May Mean to Invested Capital

By THEODORE M. KNAPPEN

A HOME-TOWN booster was on his way to New York with $2,000,000 in his pocket wherewith to let contracts and purchase equipment for a new factory that would put his name at the top of the Rotary club's roll of local honor.

In the Pullman smoking-room he fell into conversation with a stranger, who happened to tell him something of the new knowledge of scientific location and re-location of industries, which convinced him that his proposed factory was bound for bankruptcy before it was born. He found that the Home-Town was no more qualified for the present and future location of the particular industry he had in mind than an Eskimo village in Ungavaland; that he had set out to defy evolutionary movements bearing on the transmigration of industry that are forever reshaping the world's economic status. He glimpsed that American industry is in a bewildering state of territorial transition. He kept his money and went home. A mere lucky chance. Other entrepreneurs and investors may not have his luck, and there is but little formulated knowledge, and less understanding, of the subject to guide them.

* * *

IN the sixteenth century the manufacturing center of the western world was in the Netherlands. In the eighteenth and nineteenth centuries it was transferred to Great Britain. In the twentieth century it was in the United States. Sweden was the leading producer of iron and steel in the eighteenth century, but when coal and coke came in, and charcoal as a smelting fuel gave way to coke, England became the principal seat of the metallurgical industries, and largely by reason thereof attained world supremacy in manufactures, shipping and trade. Later, Germany wrested the steel leadership from Britain in Europe, and the world supremacy passed to the United States.

Before the rise of the Netherlands, the republics of Venice and Genoa were the commercial centers of the West. The economic history of the world abounds in records of the transference of industrial and commercial supremacy. Discoveries of new trade routes, the building of canals and harbors, railways and other modern innovations in transportation, the progress of science and invention, conquest, the population of vacant spaces and the opening up of new sources of raw materials and foodstuffs—all contribute to the shifting of industry and commerce.

Practically all of the factors enumerated have long been working to make the United States the world's greatest manufacturing and commercial region. But the United States being of continental proportions, is subject to the shifting of population, commerce and industry within its own domains. So long as agriculture was the dominant American occupation, the center of population moved steadily westward with the opening up of new regions. In 1910, agriculture and manufactures were on a parity; in 1920 manufactures had forged to the front, both in number of persons employed and in the total value of products, and geographical stabilization of population was attained. But the center of gravity of manufacturing production is still far east of the center of population. It is also remote from the sources of raw materials. With increasing difficulties and costs of transportation, there has begun a marked movement for industries to re-locate, either with respect to raw materials and power sources or to centers of population and consumption of finished goods—or other factors.

What Some Industries Have Done

Some industries have regularly followed their heavy and bulky raw materials throughout the history of the industrial growth of the United States. The lumber industry is a conspicuous example. It has followed the receding forests from New England to New York and Pennsylvania, thence to the Lake States, next to the southern states, and now the supremacy in lumber manufacture is on the Pacific Coast, and notably in the states of Washington and Oregon. The pulp and paper industry of New York and New England, held back by costly plants, is more slowly following the forests into Ontario and Quebec, the Pacific Coast and the South. The supremacy in newsprint has already passed to Canada. Flour milling has followed the westward march of wheat production from New York to Ohio and then to Minnesota to the Southwest; and now it threatens to pass to Western Canada.

Other industries have preferred to remain near the centers of consumption, with little regard to raw materials, though with much for power sources—coal and falling water. Though more than half of the iron ore mined in the United States is in Minnesota, the iron and steel industry is centralized around Pittsburgh—a thousand miles distant. But Pittsburgh is beginning to yield to the combined pull of raw materials and population. Much nearer to the ore, and almost at the center of population, the Chicago district—where water-borne ore meets rail-hauled coke—is developing rapidly in iron and steel output. This is marked by the assault on the "Pittsburgh plus" practice of determining prices by adding the transportation charge from Pittsburgh to other places of production. Already one large company has voluntarily broken away from this practice. The combined pull of power, both water and fuel, and raw materials in the favored Birmingham, Alabama, region is now exerting a powerful attraction on the industry. It is reputed to be the fixed policy of the United States

Steel Corporation to confine its future expansion to the South. But ore without coal has not drawn iron and steel making to Minnesota, thougl: the old rule that iron goes to coal has been amended to some extent in favor of a mutual approach. Hydro-electric smelting is on the horizon, and may have profound effects on the future homes of iron and steel.

Copper, zinc and precious-metal smelting moves to and with the mines except as pulled away by cheap water transport.

Textile Industry Moving South

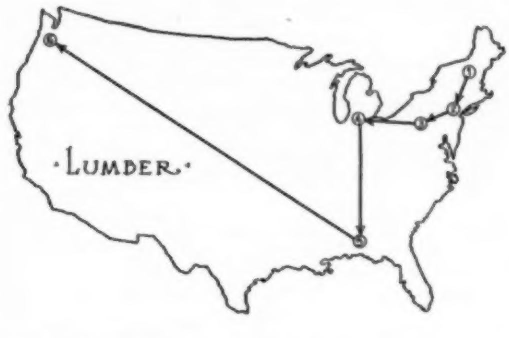
The cotton-textile industry is notably shifting from New England to the Piedmont region of the South. The number of spindles in the South is now two-thirds that of New England and the consumption of cotton about equal. All the tributary textile industries are following spinning and weaving, almost in a mad rush southward. Cotton manufacture is irresistibly drawn to its raw material, and is also moved by consideration of labor abundance and docility as well as by climate; and power, both steam and hydro-electric. The latter power development in the Piedmont is one of the marvels of the day.

The high cost of coal and increased railway wages, both making for a permanently higher level of railway rates than formerly, will have an irresistible tendency toward a profound re-arrangement of agricultural production—which is a story and even a book by itself. This re-arrangement will be to bring the producer of foodstuffs and the consumer nearer together; making for mutual satisfaction in higher primary prices and lower consumption costs. The southeastern section of the country is particularly favorable to such a change, supplementing its other attractions to industry. It has room for a vast manufacturing and agricultural expansion, side by side. Such a union, not far from the most populous regions of the country, needs no exposition of its advantages.

It is significant that between 1899 and 1922 the railway ton-mileage of the South almost quintupled, against a little more than twice for the East and less than thrice for the West. That the banks of the Atlanta Federal Reserve district enjoyed greater earnings in 1923 than those of any other district, and that the Birmingham national banks led the country with earnings of 23.45% on capital and surplus, and 44.23% on capital stock may be straws that tell which way the wind blows.

The Trend In Three Typical American Industries

Showing how their centers have already shifted and illustrating the striking geographic changes which are occuring throughout all industry.



The lumber industry has followed the receding forests from New England to New York and Pennsylvania, thence to the Lake States, next to the Southern States and now the supremacy in lumber manufacture is on the Pacific Coast, notably in Washington and Oregon.

Flour milling has followed the westward march of wheat production from New York to Ohio and then to Minnesota and the Southwest, and now it threatens to pass to western Canada.

The cotton textile industry is notably shifting from New England to the Piedmont region of the South.

The shoes industry is moving westward, showing a tendency to get close to the main markets, and also seeking to shake off the trammels of the control of organized labor. This movement would be much more pronounced if the existing plants had not 50 per cent greater capacity than domestic consumption.

The furniture industry, which grew up in Michigan close to abundant and cheap supplies of excellent woods, finds itself remote from materials now but not far from the center of population; and there is a noticeable tendency for new plants to be built in the South, tributary to the remaining hardwood forests. In fact, all the woodworking industries reveal a tendenceny to move as the sawmills move, toward the south and to some extent toward the Pacific coast.

An Illustration

A unique illustration of manufactories following population, instead of population massing around factories, which is the general tendency since 1900, is seen in the recent vigorous growth of manufactures in the Los Angeles region of California. Quite apart from its wonderful agricultural productivity, this region was rapidly populated, because of its attractive climate, by large numbers of non-productive persons. They brought their wealth with them; or, leaving it behind, drew incomes from it. They lived not by their own production, but by the production of the Mississippi valley, whence most of them migrated, and of other far distant regions. Now a host of manufacturing industries is arising there to provide for the needs of the local population and to compete with eastern industries throughout the Pacific Coast and Rocky Mountain states. Prodigious hydro-electric developments in the Sierras, involving $400,000,000 of investment, prodigal petroleum production in California, direct oceanic access to the Orient and South America, the growing utilization of the Panama Canal and increased costs of railway transportation have all contributed to this amazing development. Eastern corporations are establishing branch factories there, and the whole process means at least a relative checking of manufacturing in the East. A like development is going on in the Pacific Northwest, though here a self-supporting population first grew up around mining, agriculture and lumbering.

Note: The second part of this article will appear in our February 2nd issue.

Will the Presidential Campaign Depress Stocks?

Exploding a Venerable Legend—Stocks Do Not Always Go Down in Presidential Years Nor Is Business Always Bad—What the Records of the Past Show

By BERTRAM COONS

SPECULATIVE Wall Street is a place of hasty conclusions and groundless illusions. It likes to place its foundlings of error on the doorstep of Lady Luck. It loves to interpret the movements of the market, which, after all, are based upon the granite of facts, in the long run, in terms of the stars, the movements of the seasons or the so-called "Laws of Averages."

A WORD-PICTURE OF MARKET MOVEMENTS IN PRESIDENTIAL YEARS

Election Year	Elected	Action of— Stock Market	General Business
1884	—Cleveland	Advance	Neutral
1888	—Harrison	Decline	Advance
1892	—Cleveland	Decline	Decline
1896	—McKinley	Decline	Neutral
1900	—McKinley	Advance	Decline
1904	—Roosevelt	Advance	Decline
1908	—Taft	Advance	Decline
1912	—Wilson	Neutral	Advance
1916	—Wilson	Advance	Advance
1920	—Harding	Decline	Advance

Hence the "spring rise" in the spring. As a matter of fact, it would be hard to find in the record of market movements, any six month period where there was not some recovery in the market that could be classed as a "rise." But Wall Street, entranced by the beautiful analogy of the market rising with the sap in the trees, thinks only of the "spring rise." There are as many spring falls as spring rises, but the falls do not appeal to the speculative imagination. Hence they do not count.

Another cherished Wall Street illusion, now in season, is that of the "Presidential Year." According to the tradition, the Presidential Year is one of woe. Theoretically, because of the uncertain outlook in politics, business should be dull and security prices on a declining scale. Do the records of the past bear out this theory? We shall see. It is the business of the investigator to discard all conclusions which may be held in advance and let the story of the facts weave the correct conclusion.

Politics More Important Formerly

There are times in past financial history when the subject of politics played a very important part in business and financial affairs. When Bryan ran on a free silver platform and free trade was the important issue as opposed to protection, politics was perhaps the most important single factor in the business and financial situation. A Bryan election would have meant fundamental changes in our entire economic structure, with perhaps disastrous results.

There are radicals with us today as always and as there always will be, but there is no great economic issue before the American people which has a chance to prevail, comparable with the free silver delusion.

Glancing at the Presidential year of 1884, as depicted by the movements of stock price averages on the graph which accompanies this article, we see that the decline which began in the latter part of 1883 continued into the Presidential year. This was followed by a sharp recovery of about half of the decline and then a second sagging which made a second bottom slightly higher than the first. As a whole, then, the year was one of decidedly declining security prices. At the beginning of the next year, which was the one in which Grover Cleveland took office, there was a third decline after which the market started upwards in a movement which reached its culmination in 1887.

If politics had been the controlling factor in the 1884 downward movement, one would suppose, since Cleveland was a "sound" man of non-radical tendencies, the upward movement would have started upon his election and continued without substantial setback until its culmination. It is more reasonable to conclude that the 1884 decline was the tail end of the natural reaction from the great bull markets of 1877-1881, rather than the result of political uncertainty, although the latter matter must be accorded its proper position in the economic picture.

In 1888, when the kindly but rather colorless Harrison was elected to the country's highest office, the market picture is inconclusive. As a whole the tendency of prices was upwards.

Cleveland and 1892

The year 1892 was one of two major declines and one advance, prices closing at the end of the year substantially below the opening levels. Cleveland was again elected and his election was followed by an upward swing extending into 1893. This was followed, however, by a very precipitous decline and the high prices of 1892 were not seen again until 1901, when William McKinley took the Presidential chair for the second time in succession. We have, therefore, the anomaly of a strong upward movement materalizing early in the first year of Cleveland's first administration and an equally strong downward movement in the first year of his second administration. Unless Grover Cleveland had changed fundamentally and politically between the time of his first and second administrations, which he had not, we shall have to look elsewhere than to politics for an explanation of the conflicting market movements in the first years of Cleveland's administrations.

Bryan and McKinley

Prices in the year 1896, when William J. Bryan declared "Thou shalt not crucify mankind upon this cross of gold" and thereby gained the Democratic nomination but not the Presidency, may be said to have been profoundly affected by politics. Free silver and free trade loomed on the economic

There is a legend in Wall Street to the effect that a Presidential campaign results in declining security prices. This article explodes this theory, showing that there have been practically as many instances of advancing markets in Presidential years as declining markets.

horizon and the year saw a severe slump in market prices, which, however, had been more than made up by the end of the year. The defeat of the "Boy Orator" did not prevent a sharp decline in the market in the first year of the McKinley administration. After that there was a two years' bull market lasting until the outbreak of the Spanish-American War in 1898.

The election year of 1900, as a whole, was one of declining prices, although after the middle of the year a strong bull market commenced, particularly in the rails which lasted for more than two years. On September 14, 1901, the first year of McKinley's second administration, an assassin's bullet ended the life of the Great Protectionist and he was succeeded by Theodore Roosevelt without disastrous results to business or security prices.

In the year 1904, although Theodore Roosevelt, the avowed opponent of "big business" and "malefactors of great wealth," was the popular and successful candidate, the market was unequivocally bullish, thoroughly upsets the "Presidential Year" theory. The foundations for the great bull market which culminated in the panic of 1907, were laid in the Presidential Year of 1904, and the swing was well under way before the year closed.

Again in 1908, when William Howard Taft of Yale made a Presidential touchdown behind the interference of Theodore Roosevelt of Harvard, the market was unequivocally bullish. The years 1914 and 1918, afford two striking examples of Presidential years when prices were anything but downward. At no time in those two years did the market averages show a ten-point reaction.

In 1912, the twenty years of uninterrupted Republicanism came to an end with the election of Woodrow Wilson over a split Republican ticket. Although this change in political dynasties should, according to the Presidential Year theory, have been reflected in declining prices, the market action as a whole was inconclusive. For three quarters of the year it rose and then lost in the final quarter of 1912 all the ground gained in the first nine months.

The 1920 Decline

In 1914, the World War broke out and when the election year of 1916 came around the economic factors of the situation far outweighed the political aspects. Industrial stocks were booming and even the rails, which had shown a downward tendency since 1909 shared to some extent in the upward swing. As long as the World War lasted with its tremendous demand for American raw materials and finished products politics could go hang.

The year 1920 ran true to the Presidential Year theory for it was a year of severe declines in the market averages. In the industrials, particularly, the market collapsed, continuing its downward movement to the end of the year. The rails, however, in the last six months of 1920, showed a substantial recovery from their decline of the first six months. The decline in the industrials was not due to the political situation but was the inevitable reaction from the tremendous upward movement of these stocks in 1909. Conversely the rails recovered somewhat in 1909 from the long decline from their high point of 1916.

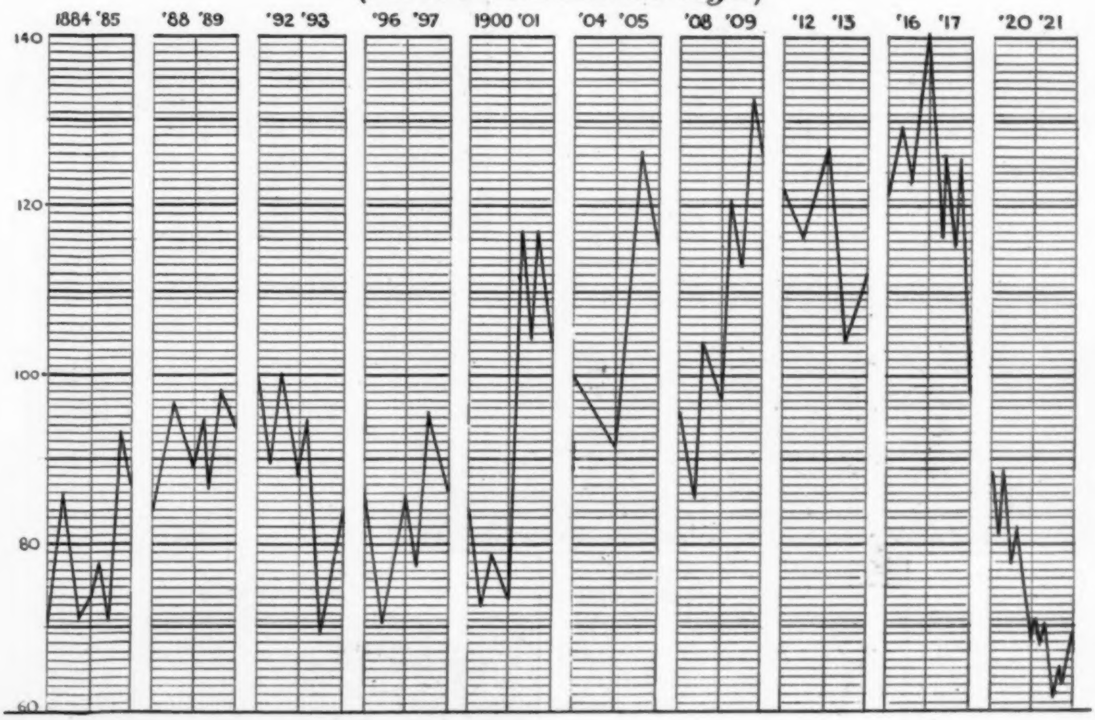
That the rails advanced in the last half of the year while the industrials were still plunging downward is conclusive evidence that the moving factors affecting these two groups of securities were not political.

Summarizing our study of the ten Presidential Years in the last forty years we find that five Presidential Years were years of declining security prices, four were years of rising prices and there was one year in which the advance was about offset by the decline. The records then do not bear out the theory that a Presidential Year is

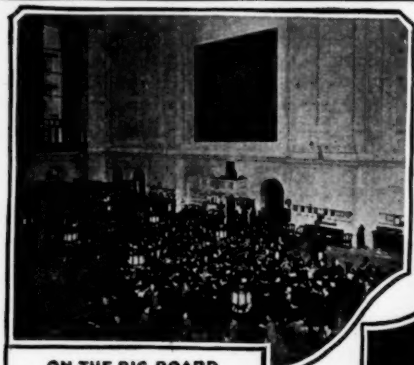
(Please turn to page 542)

How The Stock Market Moved In Ten Successive Presidential and Post-Presidential Years

(Based on Standard Averages)

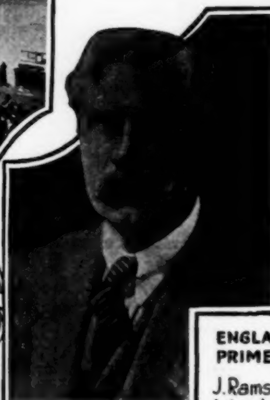


HERE *and* THERE *and* EVERYWHERE *in* INDUSTRY *and* FINANCE



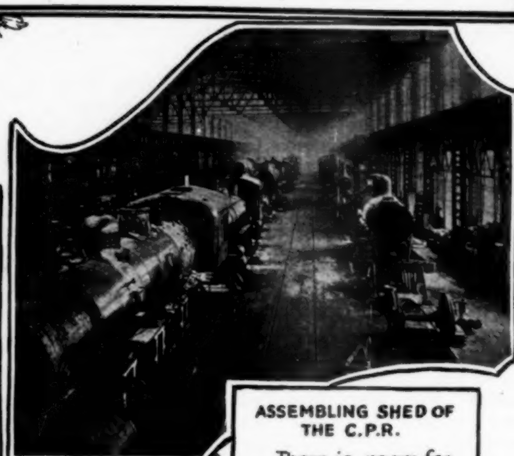
ON THE BIG BOARD

An informal glimpse of the interior of the N.Y. Stock Exchange, with a particularly good view of the great, electric-controlled call-board over the Rostrum.



ENGLAND'S NEXT PRIME MINISTER?

J. Ramsay MacDonald, labor leader, whose political advancement forecasts the first labor government in Great Britain.



ASSEMBLING SHED OF THE C.P.R.

There is room for thirty locomotives in the pits of this huge assembling shed of the Canadian Pacific Railway.

THE RIVALS

One of the fleet of Motor Buses recently installed by the Pacific Electric Railway for street and suburban service, amplifying the regular trolley lines.

THE WORLD'S THIRD HIGHEST BRIDGE

The Pecos Viaduct, traversing the Pecos River and Canyon on the Southern Pacific line in Texas. The Bridge is 321 feet above water.

STEELTOWN AT NIGHT

A striking view of one of the South Chicago plants of the U.S. Steel Corporation.

A PICTURESQUE TIME PIECE

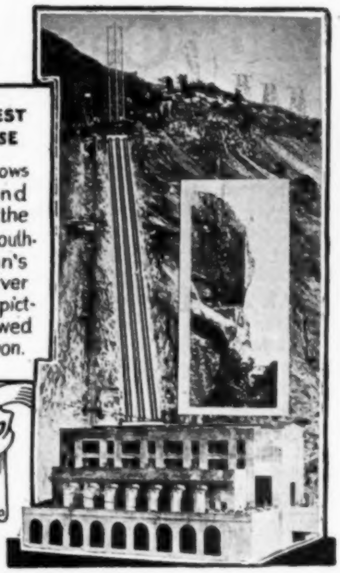
Snapped in a deserted brokerage office after the market's close

A GIANT LUMBER RAFT

Propelled marketwards by tugs and bound together by huge steel chains.

SEWING ON LININGS

Machine operatives performing one of the numerous operations in mechanical shoe-making at a St. Paul Plant.



THE PACIFIC'S LARGEST WATER POWER HOUSE

The close-up view shows the feed system and gives an idea of the depth of the fall at Southern California Edison's new San Joaquin River plant. The long shot pictures the plant as viewed from the Grand Canyon.

"You may be for Tax Reduction or you may be for the Bonus; but you cannot be for both!"

SENATOR BORAH

"TO ARRIVE" PRICES

In the Chicago Board of Trade where current quotations are posted.

A GAME *for* KEEN EYES AND STEADY NERVES

Stock Exchange brokers competing in an informal shoot at a Westchester Country Club

COMING SOON AGAIN

Crowds filing returns and making payments on Income Tax at the New York Customs House.

THE LUCINE CUT-OFF

One of the many beautiful sights to be seen on the Southern Pacific lines. This view is of the Great Salt Lake, on the Ogden Route.

Can You Beat The Market By a "System"?

What the Factors Are That Affect Market Movements —Why an Infallible System Would Wreck the Market

By J. L. GOUVERNEUR

CAN a mechanical "system" be devised for beating the stock market? In other words, is it possible for a system or method of buying and selling securities which, if implicitely followed will eventually and always result in a profit?

In answering this question one is reminded of the remark Henry Van Dyke once made in reference to wild strawberries, to wit: "Doubtless the Lord could make a better strawberry but doubtless the Lord never *did*." Perhaps a mechanical system can be devised that will beat the market but to date one never *has* been developed.

Yet men never tire of striving to solve this seemingly impossible problem. It has supplanted the search for the Magic Elixir of the Middle Ages which was supposed to be able to turn lead into gold. The market system quest is that of the modern philosopher's stone or the pot of gold at the end of a rainbow. The medieval seekers for the Magic Elixir never stopped to take into consideration that once the Elixir was discovered, gold would shortly cease to have any value. Or perhaps they were shrewd enough to reason that by the time gold had become demonetized they would have been able to clean up and place their profits in land or other non-destructible equities. In the mark, the present German Government found an Elixir of Gold and profited temporarily. It remains to be seen whether the game will be worth the candle in the long run.

Successful System Would Wreck Wall Street

If it were possible for some one to devise a successful mechanical system it would mean the end of speculative Wall Street as it exists at present. Speaking of this subject, Richard D. Wyckoff once said to the writer: "When once you have developed a sure-fire method for beating the market the amount of your profits will be limited only by the size of your operations." One may find an analogy in roulette. A player with a successful roulette system could break the biggest roulette bank in the world. A person with a 100% mechanical market system would be in the position of the roulette player with Wall Street as the "bank." Roulette banks have been broken and men have taken large profits out of the Wall Street "bank" but always the element of luck has been an important factor. And luck always comes when it chooses and departs without notice.

"The market operator, among other varied qualifications, must have the instinct of the successful detective. The movement of stocks upward or downward is his quarry. He analyzes and endeavors to give proper importance to all the factors which go toward controlling the movements of the quarry. His market instinct or judgment has become highly developed. It is individual and cannot be delegated to someone else. It is the outgrowth of years of study and actual experience. Such can never be reduced to an exact system."

The two important factors which can never be reduced to terms of exactitude are those of human psychology and unexpected occurrences.

The movements of the market as a whole and of individual stocks are the results of collective buying power and psychology. Steel common goes up because while there are say, a thousand investors or traders who are willing to sell at say 90, there are perhaps 1,100 investors or traders who are willing to pay 90 or more for the stock. In other words, the collective buying power or psychology of those who believe Steel common is worth more, is greater than the collective selling psychology.

If it were humanly possible to get a collective picture of the buying and selling psychology at any one time, the riddle of the market would be solved. For the moment! But five minutes later the buying psychology might become greater than the selling or vice versa. The tape is a continuous and only record of the collective buying and selling power and those who have been most consistently successful in the market are those who have learned to interpret its cryptic utterances. **Tape reading, however, can never be a matter of system but is rather one of individual judgment. Such judgment can only be acquired by long years of careful study and actual experience.**

The outbreak of the Great War afforded a striking example of collective psychology gone wrong. Everyone looked upon the beginning of the conflict as a great international catastrophe, as indeed it was. But marketwise it was a bullish factor of incalculable importance. So we had the spectacle of stocks plunging to panic prices because everyone *thought* they should go down, when, as a matter of fact, they should have gone up with equal rapidity as they did afterward when the psychology reversed itself.

The outbreak of the war was, in addition, one of those unexpected occurrences which no system could forecast, as was the sinking of the Lusitania.

On paper, it would appear that if the investor or trader should start to buy any sound security at any price and if the stock went against him, continue to buy an equal amount at, say, each ten points down, he would eventually establish such a low *average* cost that any important upward swing of the market would allow him to get out with satisfactory profits. Theoretically this system looks unbeatable, but in actual practice it works out differently. It presupposes that the stock chosen will *always* come back. Financial history is replete with stocks which went down and *never* came back and stocks which went down and *stayed down* for years. Such a system, even if it did not slip and bring about the total loss of the investment, might tie up a large amount of capital for a very long time.

"Every system at some one point or another fails to achieve its objective. It will always be so. For market movements are the results of thoughts in the minds of men, and the minds of men can never be charted in advance or reduced to mathematics."

The race of chart readers is without number and without end. They attempt to reduce to mathematics the probable

(*Please turn to page* 547)

The Triumph of the American Dollar

The Story of a Victory That May Prove Very Costly

By GEORGE M. BRANTING

THE supremacy of the American dollar in world trade is unquestioned today. If nothing else, we have achieved at least this distinction through the war.

The world pays tribute today to the invincible American dollar in the form of its own depreciated currencies. Take a dollar bill to practically any of the principal foreign countries. It meets not only with the unconscious flattery of the form generally paid to people of great means by others not so well endowed with the world's goods, but, more tangibly, exacts a definite tribute by way of having the power to have itself converted into a much greater number of shillings, francs, lire or whatever the case may be than prior to the terrible conflict which started in 1914.

To put it more simply: you receive *more* shillings, francs or lire for your dollar. The Englishman, Frenchman and Italian receives *less* dollars for his money. Obviously, this is a great advantage for Americans. Conversely, a great disadvantage for Europeans.

Private vs. National Interest

The private citizen of the United States traveling abroad may enjoy this situation greatly. Let us see how it works from the view-point of our national interests.

In the first place, the depreciation of European or other foreign currencies has the practical significance of a lowered purchasing power. Before the war, for example, a French importer of American goods could make payment by depositing to the credit of the merchant with whom he had transacted his business, an amount equivalent to 5.18 French francs for every American dollar required in payment. He now has to pay practically 20 francs for the dollar, without including the higher prices now demanded for the same goods.

The chances are that he is paying out six or seven times as many francs for his goods as before the war, whereas he does not receive any such proportion for his own goods. The same is true in varying degree of British, Italian, Belgian, German and other importers of American goods.

What is the result? It is simply to make it difficult for foreign owners of depreciated currencies to do business with us on an extensive scale. To do business at all with Europe or foreign countries in other parts of the world, the American manufacturer has to make very special inducements. He must lower his price, reduce his margin of profit or he cannot compete at all with foreign manufacturers of the same products.

Buying Power Limited

Our farmers have felt this situation especially keenly. Wheat, for example, sells at a comparatively low price because Europe cannot pay high prices, though the rather large world crop of the year has aggravated the situation greatly, from the American wheat grower's view-point.

Many examples could be cited to show the practical workings of a depreciated world currency so far as the effects on American export trade are concerned. It is of little use to point to our still high volume of exports, as measured in dollars. We are principal producers of a number of different commodities, and the world must have them at almost any price. Take cotton, for instance. The world needs cotton. It buys cotton from us, but that limits its ability to buy other American products. The result is that the American cotton grower may benefit temporarily but American industry is affected.

More Apparent than Actual

It is just as if a man of fixed income, say $3,000 a year, had to pay a constantly increasing rent. He pays the rent because he must have a roof over his head and that of his family, but he buys fewer clothes, eats cheap cuts of meat, limits himself in every way and thus reduces his standard of living. It is that sort of thing which is now going on throughout the world, particularly in Europe.

An Apparent Triumph

The triumph of the American dollar therefore seems more apparent than actual when viewed in this way.

There is another angle to this situation. Depreciated world currencies, which reduce the purchasing power of their nationals, reduce at the same time their standard of living. Consequently, labor becomes cheap, costs of commodities come down. Manufacturing costs are lowered. The result of such a situation is to make very formidable competitors, at least potentially, of all nations whose purchasing power has been vitiated. There is a natural balance of economic forces in the world. A nation that is very wealthy in comparison with other nations pretty soon becomes a fine target to shoot at. It becomes the world's economic bull's eye. That is the United States today.

World's Greatest Market

The United States is now the world's greatest and wealthiest market. All nations would like to sell here and receive the valuable American dollar in return for their cheaply manufactured goods. That is the way in which the world will eventually regain some of its lost wealth. We are in the position of a very wealthy man, who has to barricade himself against the clamors and petitions of a hungry mob of people. The sort of a barricade we put up is the McCumber-Fordney Tariff Act. It isn't working as well as its protagonists expected. Goods come over from abroad, they leap the barricade easily.

Cheap foreign goods remain the bug-a-boo of American industry. Such is the penalty of our wealth. Such is the triumph of the American dollar. It begins to appear now that that triumph may be costly in the years to come and those not very far away.

Will Railroad Prosperity Continue?

Past Year One of Great Progress, Marked by Large Earnings and Huge Expenditures—Factors to Be Considered in Estimating the Outlook

By ORRIN GRAY

IT will be interesting to note the arguments advanced by radical members of Congress in their next series of attacks on our transportation system. For the accomplishments of the railroads during the past year have left these members woefully short on ammunition. There was no slowing down or hampering of business due to car shortages, no freight congestion, and no plethora of complaints concerning delayed shipments. And all this in the face of a record volume of traffic!

The fact is that transportation facilities were entirely adequate. Increased industrial activity and a greater freight movement had been anticipated, and proper steps taken to provide for it. Every effort was made by officials to place their lines on a high plane of efficiency, to purchase sufficient equipment to handle the probable peak load demand, and enlarge terminals, so as to facilitate the handling of freight. As a result, both merchants and manufacturers found the railroads able to meet their maximum requirements. Even the farmers were well supplied with freight cars for the movements of their crops, the surplus of box cars in the grain-producing States being the greatest in history.

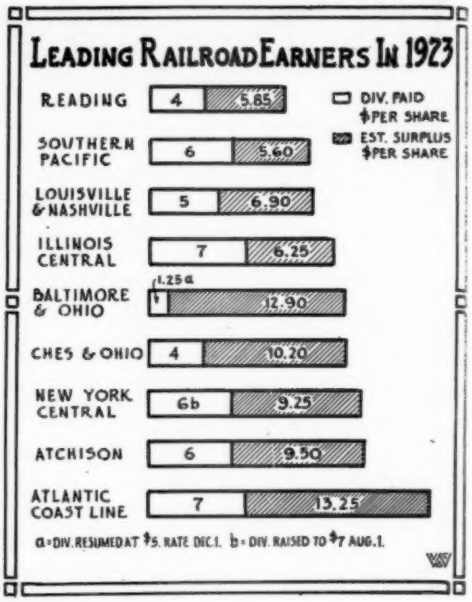
In addition to these more obvious contributions to the expansion of business, there was the expenditure by the railroads of billions of dollars in the upbuilding of property and additions to equipment. That their demands were an important factor in the business revival is beyond question. It may be pointed out, for instance, that over 30% of all steel produced by American mills during 1923 went directly or indirectly into railroad consumption, and that the combined steel takings of all roads showed a gain of approximately 65% over the previous year.

Efficiency of Operations

Practically every indication of relative operating efficiency pointed toward improvement during the past year. A favorable percentage of good order equipment is no less important than an adequate number of cars, for handling a large volume of traffic. Realizing this, the carriers bent every effort toward reducing the proportion of unserviceable equipment to the lowest point possible. The percentage of unserviceable locomotives and freight cars on December 1st, last, amounted to but 14.7% and 6.8% respectively, compared with 22.4% and 10% on December 31st, 1922. The number of new locomotives and freight cars put in service also reached record figures.

Not only were cars loaded in greater quantities, but there was a larger number of cars per train, as well. The average length of haul and the traffic density were both increased to a substantial extent. Although the number of revenue tons carried increased over 37% in the first nine months, compared with the corresponding period of 1922, the number of tons of coal consumed for fuel increased but 9%, resulting in a large saving in transportation expenses.

A reduction in operating ratio, however, tells the real story of increased efficiency. With the exception of coal, expenses were uniformly higher than in 1922, wages were higher, a greater number of men were on the payrolls, and on the whole, there was no cut in maintenance expenditures. The majority of roads spent more money on property and equipment than in the previous year, and the ratios of maintenance expenses to gross were higher. In view of these facts, as indicated by Class I records, a 77.8% ratio of operating expenses to gross revenues for the first ten months of the year was of particular significance when compared with the 79.6% ratio for the corresponding period of 1922.



Return on Invested Capital

Were it not for these accomplishments, railway earnings would not have been nearly so favorable. Due to the lower freight rates in effect, gross revenues did not rise appreciably. Gross for the first ten months increased but 15% over the corresponding period of 1922, yet more efficient operations provided a gain of 33.7% in net operating income.

What was the return on invested capital? From incomplete figures it would appear that the carriers earned about 4.7% on the investment, compared with the 5.75% allowed by the Interstate Commerce Commission. The return in 1922 was 3.6%. Complete figures for the full twelve months of 1923 may show the highest net operating income ever reported, and at any rate, it is almost certain to approximate one billion dollars. This would be comparable to $1,040,000,000 in 1916, the only year in which the billion-dollar mark was passed.

While the railroads were fairly prosperous as a whole during 1923, it is no doubt realized that many individual carriers made unsatisfactory showings. Others did remarkably well. As

DIVIDEND CHANGES AMONG THE RAILROADS IN 1923

	Inaugurated Dividend	Increased Dividend	Resumed Dividend	Passed Dividend	Reduced Dividend
Pere Marquette	$4				
Virginian	4				
Gulf, M. & Nor. pf. (a)	1				
N. Y. Central		$5 to $7			
N. Y., Chi. & St. Louis		$5 to $6			
Louis. & Nashville		(b) $7 to $8.12			
N. O., Tex. & Mexico		$6 to $7			
Baltimore & Ohio			$5		
Colorado & Southern				Formerly 3	
Chi. & N. Western					From $5 to $4

(a) An additional dividend of 1% was paid November 15th on the 6% cum. pfd. Back dividends amount to 22½%.

(b) Stock dividend of 62½% paid, and dividend reduced from 7 to 5%. This is equivalent to 8.12% on the old stock.

can be seen from the accompanying table of dividend changes, the Western group was hit hardest by unfavorable developments. One Western road reduced its dividend, and the dividend of another was passed entirely.

It must be admitted that even those carriers in a position to commence or increase dividend payments were not over liberal with stockholders. There was a tendency among most boards of directors to adopt a very conservative policy, and avoid the possibility of playing into the hands of lower freight rate propagandists. In many cases, earnings were sufficient to have allowed initial disbursements or large extras, but with few exceptions, they were used for strengthening financial position and providing new equipment. Although this action has been viewed unfavorably by many, particularly the holders of those stocks paying no dividends whatsoever, it should be remembered that the value of their holdings were substantially increased. Those who have faith in the future for the railroads should not complain.

With a year of progress behind and a favorable present situation, there can be but one explanation of the investment public's apathy toward railroad shares. It is the fear of what lies ahead. One hears, on all sides, of an expected decline in volume of traffic during 1924, and what is more, that adverse legislation will be enacted by the Congress now in session. The atmosphere is also permeated with opinions to the effect that involuntary consolidations will be forced on the carriers. The issue is now before the U. S. Supreme Court for final decision.

But to consider each of these points separately. Presuming that there is to be a decline in railroad traffic, the outlook even then need not be alarming. The years of greatest revenues have by no means always yielded the greatest profits. To recall 1920, when revenues were at record levels and yet income was practically nil. The roads have entered the current year in a better physical and financial condition than they have been in for years. Worn-out equipment has been wiped off the books, which will mean a reduction in maintenance outlay for the immediate future, and essential maintenance on new equipment will be very light. The improved condition of railroad property will also be reflected in savings on transportation costs this year.

When the situation is closely analyzed, there does not seem to be much likelihood of a large decline in traffic. It is much too early to hazard an opinion as to the volume of crop movements, but judging from the industrial outlook, transportation requirements from other sources should be fairly large. There has been scant let-up in building activity and there are no apparent indications of any reduction in building operations taking place this year. Production is being well maintained in the motor industry, demand for steel promises to be of fairly substantial proportions, and finally, the railroads themselves are to be in the market for another record volume of equipment and supplies, thus adding additional stimulus to business.

In regard to adverse legislation, the only possibility appears to be small fare reductions. As previously mentioned, the radical element in Congress has very little else to demand at this time. And in his message to Congress, the President stated in unmistakeable terms that no rates could be placed in effect that would not yield the carriers a fair return on their investment. Some of the roads that earned in excess of 5.75% on their invested capital last year, could easily stand rate reductions on certain commodities without seriously impairing their earning power. On the other hand, the majority of roads failed to show a "fair return" particularly those serving the large agricultural districts. Chief among these are Great Northern and Northern Pacific, both of these roads having been compelled to reduce their dividend rates in 1922. Last year Chicago & Northwestern reduced its dividend and Colorado & Southern passed it entirely.

Under these circumstances, there cannot be much likelihood of a future reduction in grain rates. It is maintained that the grain farmer cannot afford to pay present rates, and that they are too high as compared with prices received for agricultural products. While the farmers' position is unfavorable in this instance, it is no fault of the railroads. To bring relief to raisers of grain at the expense of the carriers would be unsound economic policy, and there seems to be little possibility of such legislation actually being enacted.

The probable decision concerning the question of compulsory consolidation, which is now before the Supreme Court, cannot be forecasted. However, as stockholders are the owners of the railroads it would seem to be out of question to force a consolidation which might de-

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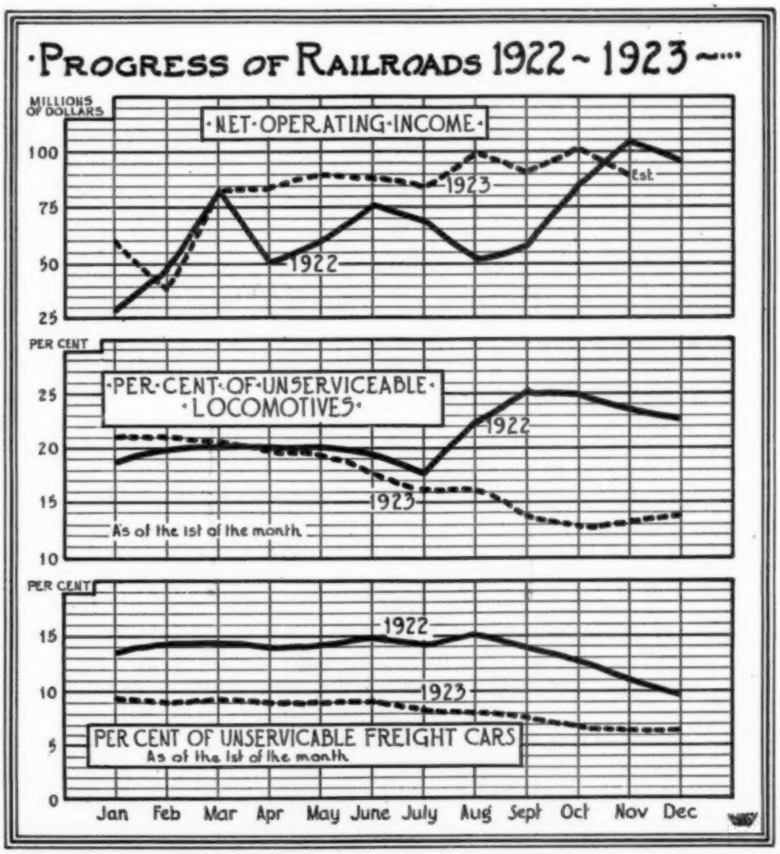
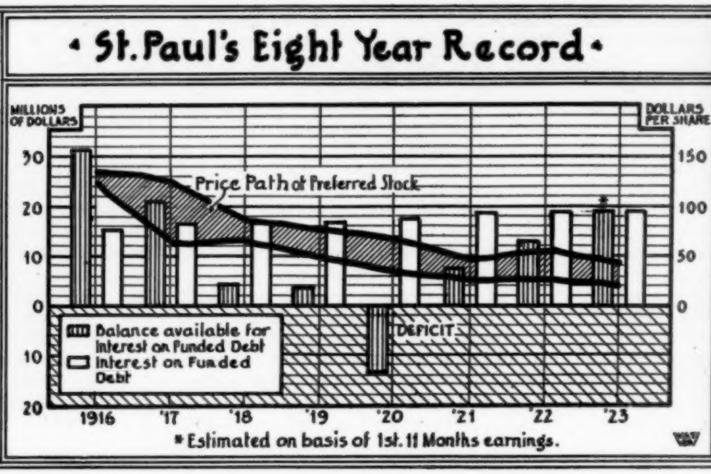


As indicated by the above graphs, the year 1923 witnessed a very considerable improvement in the railroad situation. Generally speaking, percentage of income increased rather markedly, thus strengthening financial position, especially in view of the fact that most of these earnings were retained, extra dividend disbursements being relatively small. This is all the more noteworthy a record in view of the great improvement in condition of equipment.



Should St. Paul Investors Hold, Sell or Switch?

Present and Prospective Position of Road—Outlook for Bonds and Stocks

By JOSEPH M. GOLDSMITH

THE formidable deficits which the St. Paul has incurred since the termination of Federal control have seriously affected its credit. The company was forced to dip into its cash resources to meet fixed charges both in 1921 and 1922. Last year, net income about equaled interest requirements, but a single year without red figures will not restore its credit. There is a maturity of 48 millions to be taken care of in 1925, and its continued solvency depends on the stability to meet this obligation.

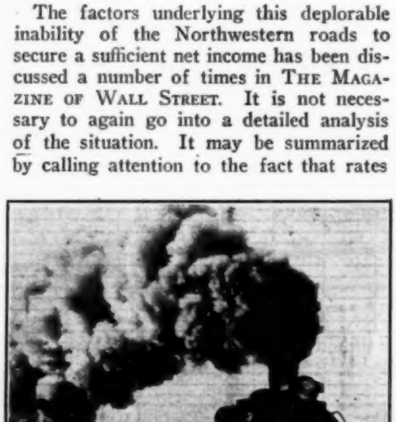
The precarious condition of the St. Paul has been usually attributed to its Pacific Coast extension. The wisdom of that piece of construction has been a much controverted point. It did augment the road's revenues but not in the same proportion that it increased fixed charges. Consequently, the capitalization became more burdensome than before the extension was undertaken.

Net Income Low

The insufficiency of net income during recent years is not ascribable solely to this project, completed over a decade ago. It was not until the unfavorable operating conditions incident to the war were encouraged beginning in 1917, that the company failed to cover fixed charges by a wide margin. Although the increase in bonded debt caused by the extension is a contributory factor the St. Paul's present plight is mainly due to the traffic situation now existing in the northwest.

The other carriers operating in this section of the country are experiencing the same inadequacy of net operating income. The recent action of the Chicago & Northwestern in reducing the dividend on its common stock illustrates the difficulties with which it has been confronted. The fact that Great Northern and Northern Pacific have maintained a 5% dividend is mainly due to the immense income which they receive from their lucrative subsidiary The Burlington. Their own earnings would not cover the rate they are now paying. The St. Paul unfortunately lacks any appreciable outside income and must rely entirely on its own net revenues.

The factors underlying this deplorable inability of the Northwestern roads to secure a sufficient net income has been discussed a number of times in THE MAGAZINE OF WALL STREET. It is not necessary to again go into a detailed analysis of the situation. It may be summarized by calling attention to the fact that rates



have not been advanced enough to compensate for the increase in operating costs. The service which the railroads have to sell has been held down in price, while wages and the materials which they buy have not. The advance in rates has been less in the Northwest than in other parts of the United States. The keen competition in the district, the alternate Panama Canal route on through shipments, and the agitation of the agricultural element have produced this condition.

St. Paul's Improvement in 1923

The St. Paul's net earnings have been gradually recovering since 1920. In 1921, the deficit after fixed charges amounted to 11 millions and in the following year to 6 millions. Although complete results for 1923 are not yet known, it is improbable that there will be any appreciable deficit. It is entirely possible if December was a good month that interest requirements will be fully covered.

What has enabled the St. Paul to slowly regain part of its earning power in this manner? In the main, it is due to steadily rising volume of traffic accompanied by the restoration of the road's physical facilities to first-class condition. During the first three quarters of 1923, the company carried a volume of traffic, measured by ton miles of freight transported, 23% ahead of the preceding year. This did not produce a proportionate increase in gross revenues because of the lower rate scale in effect. In the first eleven months of the year, gross revenues of 156.3 millions compared with 143 millions in 1922. Due to operating econo-

mies made possible by the denser traffic and the better condition of equipment, operating expenses consumed a lower percentage of revenues and in this way the additional net income was obtained.

Outlook for 1924

The ability of the St. Paul to refinance in 1925, is largely conditional upon its financial showing this year. If fixed charges are entirely covered it should not experience any serious difficulties in working out some plan acceptable to the security holders whose bonds fall due, whereby it can postpone the payment until its credit becomes strong enough to permit the sale of a refunding issue. What, then, are the prospects for 1924?

It is unlikely that the growth in traffic that has gone on without interruption for the past two years will continue. The year just closed was one of high business activity, and the volume of production in basic industries in 1924 may easily fall short of it. In the latter event, railroad traffic and revenues would decline. If this materializes we can expect it to be partly counterbalanced by a decrease in operating expenses, for the cost of most of the materials and supplies which the railroads use is now much lower than during most of 1923.

The St. Paul has made liberal expenditures for maintenance of equipment which have placed its locomotives and rolling stock in good condition. The smaller percentage unserviceable will make it unnecessary to continue to spend such large sums on this item. Barring some unforeseen contingency the company should have a satisfactory year. Nevertheless, it must be clearly realized that until a much more marked improvement occurs than appears probable in the immediate future, the company will not be entirely out of danger.

With the fate of the Chicago, Milwaukee & St. Paul Railroad as yet evidently in the balance, holders of the various classes of securities are uncertain as to what course of action should be taken.

This article discusses the general position of the road and analyzes the factors affecting the bonds and stocks of various classes. It will be noted that new commitments are not encouraged in these securities at this time, the main purpose of the article being to discuss the position of those actually holding these issues.

GENERAL MORTGAGE BONDS

The bonds of the St. Paul fall naturally into two classes. Eliminating divisional issues, the aggregate of which is not large, there are the bonds secured by the General Mortgage of 1889, and those secured under the General & Refunding Mortgage executed in 1914. The former is substantially a first lien on the old St. Paul system, while the other mortgage covers the portions constructed subsequently, and is subject to the General Mortgage.

There are bonds of three different coupon rates outstanding under the General Mortgage, all maturing in 1989. They total slightly less than $100,000,000. Including divisional liens they are outstanding at the rate of about $17,000 per mile of road covered. This is a low rate, and these senior issues are comparatively safe no matter what developments occur. Being a first lien on the heart of the system they occupy an invulnerable position. If a readjustment should become necessary it is decidedly improbable that they could be forced to relinquish any part of either the principal or interest on their bonds in return for some inferior obligation.

At present quotations these bonds are selling to yield about 5.75%. The large equity behind them places them on a relatively low yield basis in spite of the company's poor credit. An investor who expects to hold General Morgage bonds indefinitely and is not interested in their market fluctuations can retain them without fear of having his security impaired.

The yield, however, is not particularly attractive. It would require a vast improvement in the company's financial position to cause much advance in price. In the event that a receivership should arise they would unquestionably decline temporarily to lower levels. **There are other first mortgage bonds such for example as Pere Marquette First 4s of 1956, selling at 76, and Virginia Railway First 5s of 1962, at 93, which give almost as high a return and can be considered more desirable.**

JUNIOR BONDS

The second large classification of St. Paul bonds includes the Puget Sound Extension 4s of 1949, and all the issues now secured by the General & Refunding Mortgage. The latter range in maturity from the Gold 4s, due in 1925, to the General & Refunding 4½s and Convertible 5s of 2014. Some of them were originally issued as debentures, but all are now equally protected.

The Puget Sound 4s are a first lien on the extension to the Pacific Coast. There are only 26 millions in the hands of the public, but an additional 155 millions is pledged under the General & Refunding Mortgage. This makes a total of 181 millions on 2,289 miles of road. A rate of $80,000 per mile on property with a relatively low traffic density is exceedingly high. In spite of their first lien they would not be immune from a radical scaling down in the event of a reorganization. They can be considered in the same category as the bonds under the General & Refunding Mortgage since the greater part of the Puget Sound 4s are pledged under it.

In case of a readjustment of capitalization for the purpose of reducing fixed charges it is likely these junior bonds would be affected. They would probably be compelled by foreclosure proceedings to exchange their obligations partly or entirely for securities the payment of interest on which would be conditional upon its being earned. By this is meant either income bonds or preferred stock.

Holders of these bonds who would be prepared to keep them through a possible

(Please turn to page 540)

HOW ST. PAUL BONDS COMPARE

	Maturity	Price	Yield
Secured by General Mortgage—			
Chic., M. & St. P. gen. gold 4s	1989	70	5.75
Chic., M. & St. P. gen. gold 3½s	1989	62	5.75
Chic., M. & St. P. gen. gold 4½s	1989	78	5.80
Secured by General & Refunding Mortgage—			
Chic., M. & St. P. gen. & ref. 4½s	2014	50	9.00
Chic., M. & St. P. gen. & ref. conv. 5s	2014	55	9.10
Chic., M. & St. P. debenture 4s	1934	48	13.30
Chic., M. & St. P. conv. 4½s	1932	55	13.60
Chic., M. & St. P. gold 4s	1925	68	....
Chic., Mil. & Puget Sound 1st 4s	1949	50	9.10

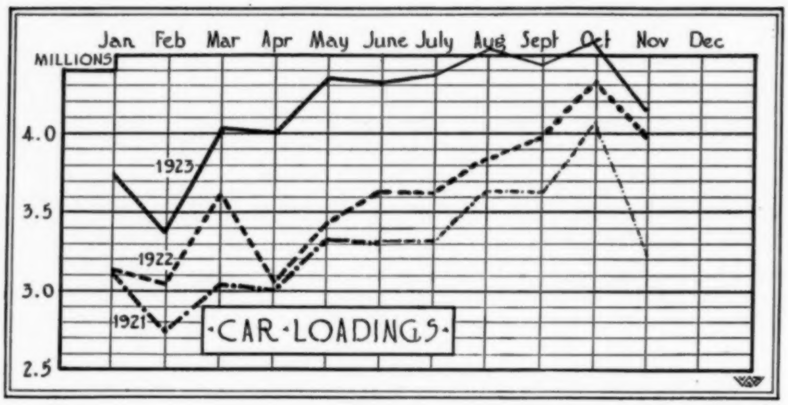
HOW NORTHWESTERN ROADS COMPARE

(In Thousands)

	Gross Revenues	Net Oper. Income	Other Income	Total Income	Fixed Charges
St. Paul	$170,000	$19,000	$1,000	$20,000	$20,000
Chi. & Nwn.	163,000	16,000	4,000	20,000	11,500
Gt. Northern	125,000	24,000	12,000	36,000	16,500
Northern Pac.	105,000	17,000	11,000	28,000	15,000

Seasonal Decline in Railroad Traffic

Carloadings Smaller, But Net Income Holds Up Well



ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON FIRST ELEVEN MONTHS OF 1923

The following tab'e is compiled on the actual average of the first eleven months' net income to the total traffic year for the past ten years for each individual railroad, allowing for seasonal variations of traffic.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	$15.50
Atlantic Coast Line	....	....	....	20.25
Baltimore & Ohio	....	....	....	14.15
Canadian Pacific	....	....	....	13.10
Central R. R. of N. J	....	....	....	6.20
Chesapeake & Ohio	....	....	....	14.20
Chicago & Alton	....	....	....	.50
Chicago & Eastern Illinois	....	....	6.00	.....
Chicago, Mil. & St. Paul	....	....	2.60	.....
Chicago & Northwestern	....	....	....	3.60
Chicago, R. I. & Pacific	....	....	....	1.05
Colorado & Southern	....	....	....	1.00
Delaware & Hudson	....	....	....	11.30
Delaware, Lackawanna & West.	....	....	....	7.00
Erie	....	....	....	5.00
Great Northern	....	....	7.60	.....
Gulf, Mobile & Northern	....	....	....	1.45
Illinois Central	....	....	....	13.25
Kansas City Southern	....	....	....	3.65
Lehigh Valley	....	....	....	2.75
Louisville & Nashville	....	....	....	[6]11.90
Minn., St. Paul & St. Ste Marie	....	....	....	4.40
Missouri, Kansas & Texas	....	....	....	.30
Missouri Pacific	....	92	....	.....
New York Central	....	....	....	15.25
N. Y., Chicago & St. Louis	....	....	....	8.65
N. Y., N. H. & Hartford	....	67	....	.....
Norfolk & Western	....	....	....	11.20
Northern Pacific	....	....	....	5.35
Pennsylvania	....	....	....	[1]4.40
Pere Marquette	....	....	....	8.00
Reading	....	....	....	[5]9.85
St. Louis-San Francisco	....	....	....	5.00
St. Louis Southwestern	....	....	....	15.35
Seaboard Air Line	....	....	3.80	.....
Southern Pacific	....	....	....	[3]11.70
Southern Railway	....	....	....	10.90
Texas & Pacific	....	....	....	5.00
Union Pacific	....	....	....	15.80
Wabash	....	....	....	[4]4.00
Western Maryland	....	....	[2]2.00	.....
Western Pacific	....	....	....	.55

[1] $50 par value. [2] On the 4% second preferred. [3] Without oil income and after capital adjustments. [4] Assuming that all of the outstanding preferred B is converted equally into preferred A and common stocks. [5] This includes total earnings of Philadelphia & Reading Rwy., all of whose stock is owned by Reading. [6] On the basis of the increased capital stock outstanding.

THE usual seasonal decline in volume of traffic occurred in November, following the peak traffic movement of the previous month. There was a general slowing up of business, which was reflected in a smaller number of loaded cars. Freight carloadings for the month of November were the smallest since last May, but were still considerably in excess of the corresponding month of 1922. Gross revenue and net operating income, for the roads as a whole, were lower than in October; however, net returns were satisfactory in comparison with previous months, and were considerably in excess of net earnings in November, 1922.

How Earnings Compared

The Northwestern roads reported big gains in net as compared with the corresponding period of 1922, with the exception of Chicago & Northwestern and Northern Pacific. The former road suffered considerably this year because of adverse conditions in the territory served, and was forced to reduce the dividend on the common stock because of the sharp decline in earnings. However, both Great Northern and Northern Pacific will cover their 5% dividends. 1923 has been an excessively hard year for the Northwestern carriers, earnings being considerably below the 5¾% return on the investment allowed by the I. C. C. Agitation for lower grain rates appears to be absurd in the face of the showing made by these roads, and it does not appear likely that any plan to reduce these rates will become effective. A further reduction would almost certainly make it impossible for these roads to earn a fair return on invested capital, which would make the rates confiscatory according to law.

CLASS 1 ROADS

(000 omitted)

	Net Oper. Income	*Month's Normal Earnings to Give a 5.75% Return
July, 1922	69,289	99,200
August	58,579	109,400
September	58,457	121,000
October	85,255	132,000
November	105,000	109,000
December	95,000	92,300
January, 1923	60,874	70,600
February	38,800	56,000
March	83,568	89,700
April	83,201	75,100
May	89,999	82,900
June	87,624	95,400
July	84,615	99,700
August	98,400	114,400
September	92,233	118,800
October	102,500	123,200
*November	89,000	103,400

* Estimated.

On the other hand, the Southern and Eastern roads have completed a very successful year, many of them earning record balances on their common stocks. Transcontinental lines also made a good showing for the year.

Bonds

Manati Sugar Co. | *American Agricultural Chemical Co.* | *G. R. Kinney Co., Inc.*

Three Attractive Bonds Yielding a High Return

Security Behind Them—Prospects for Enhancement in Value

By JACKSON MARTINDELL

THIS article describes three unusually attractive opportunities in bonds. These bonds are particularly suitable for funds of business men. In future issues, we shall present for the consideration of our readers a number of other striking opportunities for income. We hope that our readers will take advantage of the opportunities disclosed in this special series of articles.

IT will be recalled that the business depression of 1921 necessitated some rather severe readjustments in the capital structures of many organizations. The general stagnation of trade and decline in commodity prices left large deficits, which in turn brought about an acute shortage of working capital in many cases. It so happened that this came about at a time when the condition of the securities market would not permit of additional stock offerings, and in the majority of cases urgent needs for cash had to be filled by means of bond issues. The result was that a number of companies were forced to increase their fixed obligations and interest charges beyond a point of reasonable safety.

The situation in the money market was also such that new issues had to carry a high coupon rate and be offered at a discount in order to meet with any kind of response on the part of investors. Many sound bonds were already selling to yield between 7 and 8%, and even the obligations of the United States Government were selling at a discount of some fifteen points to return more than 5% if bought and held to maturity. It can readily be seen that with the soundest securities of the country quoted at such absurdly low levels, corporate financing was a difficult problem. Even those companies whose credit standing was sufficienly high to warrant the offering of additional bonds had to create issues bearing expceptionally high interest rates.

Of course, subsequent improvement in business and easier money rates have brought about a change in bond prices. Many of the bond issues placed on the market under the unfavorable conditions outlined above have since registered large price advances, and, in spite of the high interest rate, have taken a position among the better class of investments. An example of this is the Goodyear First Mortgage 8s, dated May 1st, 1921. As a result of the increase in earnings of this company, and also a return of confidence to bond buyers in general, these bonds sold close to their redemption price of 120 at one time during the past year.

Quite a few companies, however, have failed to stage a come-back since the depression, and their respective bond issues have remained at comparatively low price levels, in spite of definite improvement in the bond market. Still another case is that of several organizations whose operations have either improved materially or have much brighter prospects, and yet their high interest rate bond issues are still selling close to original offering prices. It is the purpose of this article to point these out and discuss their relative merits. Each of the bonds analyzed are listed on the New York Stock Exchange.

American Agricultural Chemical 7½s

An Unusually Attractive Issue for Business Men's Funds

THIS company is engaged in the manufacture and sale of chemical fertilizers, glue, gelatine, boneblack, grease and allied products, and owns or controls a large proportion of its raw material supplies. It has long been one of the leading factors in the fertilizer industry of the country.

Its phosphate deposits located on landholdings in the States of Florida and Tennessee are estimated to be sufficient to meet the requirements of the business for more than a century to come. The plants of the company, of which there are more than fifty, are well located, attention having been given to placing them conveniently near the centers of the various agricultural districts.

As for earnings, it is well known that operations in the past few years have not been at all profitable for American Agricultural Chemical or any other fertilizer companies for that matter. In the five years before the war, however, net after depreciation, but before interest charges, averaged about 3 million dollars annually.

STATISTICAL COMPARISON

	Total Funded Debt	Net Tangible Assets†	Pfd. Stk. Outstanding	Com. Stk. Outstanding
Amer. Agricul. Chem. Co.	$35,012,500	a$73,972,242	$28,455,200	$33,322,126
G. R. Kinney Co., Inc.	2,366,500	b10,623,184	5,598,100	*59,003 shs
Manati Sugar Co.	8,000,000	c22,929,753	3,500,000	$10,000,000

* No par value. † Applicable to bonds. a—As of June 30, 1923. b—Dec. 31, 1922. c—Oct. 31, 1923.

This meant large earnings available for the common stock at that time, and even on the basis of present capitalization, this amount of income would have been more than sufficient to cover interest requirements on outstanding bond issues. During the war period, earning power more than doubled with fixed charges covered on the average of about ten times per annum.

Difficulties beset the company during the fiscal year ending June 30, 1921, and a total deficit of 11.1 millions was reported before preferred dividends. The factors behind this situation are, by now, so familiar to the general public, that even a summary of them would be superfluous. It suffices to say that agricultural conditions and the purchasing power of the farmer were not conducive to large purchases of even a basic necessity such as fertilizer.

Well Protected by Assets

In order to strengthen depleted cash resources, the company found it necessary to create and sell a new bond issue with from now on will be the main point of discussion. This issue consists of $29,153,500 First Refunding Mortgage Gold 7½s, due February 1, 1941. It is subject to but approximately 5.8 millions of prior liens, and is well protected as to assets as can be seen from the accompanying table. The bonds are a mortgage on all real estate, plants, equipment and all other properties henceforth acquired. They are redeemable at 105 to February 1, 1926; at 103½ to 1931; 102½ to 1936; 101 to 1940 and 100½ thereafter. An annual sinking fund of 3% of the bond issue is provided for redemption of the bonds at not over redeemable prices.

With the aid of the money derived from the sale of these bonds, and a return of fairly normal conditions in the farming industry, American Agricultural Chemical has been able to recover some of its old earning power. More than one-half of total interest requirements were earned in the fiscal year ending June 30, 1922, and in the fiscal year ending June 30, last, net amounted to 3 millions, fixed charges were earned 1.2 times, and $1.75 a share was shown for the outstanding preferred stock.

The company is very strong financially. Ratio of current assets to current liabilities as shown in the last balance sheet was over 9 to 1, and net working capital totaled 37.9 million dollars, or more than the entire funded debt. There is no doubt that the margin of safety behind the 7½% bonds has been greatly increased during the past two years, and yet this security is now selling around 97½, or approximately the original offering price. The 7.70% return on the investment is very attractive.

In view of the better business outlook for American Agricultural Chemical, these bonds can unhesitatingly be recommended as a good business man's investment, having possibilities for enhancement in market values.

G. R. Kinney 7½s

Offer a Favorable Opportunity for Investment at These Prices

THESE notes were offered for sale in November, 1921, at a price of 98 and interest. Of the 2.5 millions of 7½% Secured Gold Notes originally issued, there are but approximately 2 millions now outstanding. The balance has been purchased in the open market by the company for purposes of retirement. They are not redeemable until December 1, 1931, when they may be retired at 105 and interest on three weeks' notice.

The indenture provides that 5% of the notes outstanding shall be purchased annually at a price up to 105 and interest if obtainable in the open market. The bonds are also convertible into 8% preferred stock at par. No liens can be created on the property of the company except purchase money mortgages during the life of the notes, and net quick assets of 150% on the outstanding notes must be maintained.

The security behind this issue is excellent, the net tangible value of assets being more than four times the amount of notes outstanding. The company owns and operates five factories in Pennsylvania and West Virginia, and operates a chain of general shoe stores, comprising 152 stores located in approximately 100 different cities. More than 45 stores were opened during the past year alone. The business was established 30 years ago.

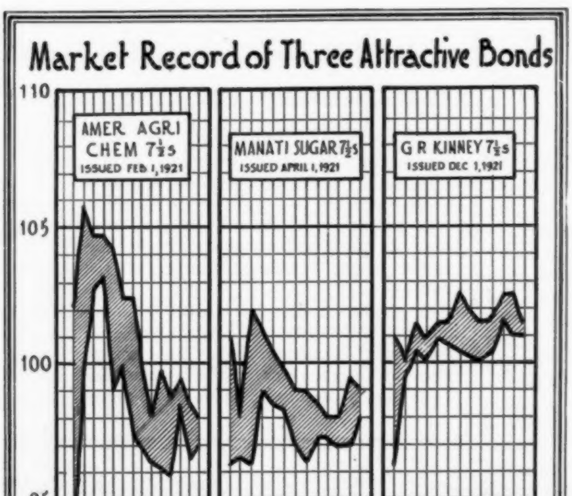
Average net income available for interest charges has been quite large over a long period. Earnings after full depreciation for the six years ending December 31, 1922, averaged over $900,000 per annum compared with but approximately $150,000 necessary to cover present interest charges. Earnings for the past year are estimated to have been around 1.2 millions or 8 times interest charges.

The company's strong finances provide additional security for the notes. Balance sheet as of December 31, 1922, showed working capital of over 5.7 millions or two and one-half times the total amount of notes outstanding. **They are now selling at 101½ to yield 7.30% figured to maturity, and offer a favorable buying opportunity at this price.**

Manati Sugar 7½s

Out of Line With Company's Position and General Improvement in Bond Market

THE Manati Sugar Company has an outstanding issue of $8,000,000 First Mortgage Sinking Fund 7½s, due April 1, 1942. These bonds were offered to the public in March, 1922, at a price of 100 and accrued interest. They are a first (closed) mortgage on the entire property.



The company was incorporated in 1912 and is engaged in the business of operating a sugar estate and factory in Cuba, and in the manufacture and sale of sugar. Its property is located on the Eastern end of the island and consists of 276,000 acres of land of which 207,000 acres are owned in fee and the balance held under purchase contracts on which there is approximately $743,000 due, payable in instalments during the next ten years. The sugar factory is one of the most modern and best equipped in the world, with a capacity for the production of 700,000 bags of raw sugar during the grinding season. A deep water harbor on Manati Bay, where it has extensive facilities, allows the company to take advantage of water transportation to northern markets, and lowers this item of expense considerably.

While earnings have been erratic in the past due to the

(Please turn to page 543)

BONDS

Tendency Higher—Active Demand for Speculative Issues

THE action of the bond market during the past two weeks indicated that the hesitancy observable at the end of the year was merely temporary and that the trend of prices was upward. While there was very little change in the investment list, high-grade bonds were firm. Investors are confident that, despite the oratorical efforts of the radical group in Congress, sane tax legislation will be finally enacted along the lines indicated by the Secretary of the Treasury. Naturally this feeling is reflected in bond quotations, and there is not great willingness to sell at present prices. Railroad issues were quiet, but strong.

The speculative division continued the center of activity. Relieved from the pressure of sales to register tax losses at the end of the year, all the favorites quickly recovered previous losses. The St. Louis & San Francisco adjustment and income 6s, Missouri, Kansas & Texas adjustment 5s, the Seaboard and Erie issues were in demand, the 'Frisco issues reaching new high levels. New York, Westchester & Boston 4½s, guaranteed by the New Haven, were up 5 points. Gains were also shown by the Chicago, Milwaukee & St. Paul bonds, indicating quite plainly that the weakness in these issues at the end of the year was not due to any additional unfavorable prospects, but simply to the desire of holders to register losses.

Public utilities were more active than in some time. Negotiations now pending to take care of the Market Street Railway issues maturing this year resulted in both the 5s and 6s selling around par. These bonds were selling at around 91 and 93 a few weeks ago. Brooklyn-Manhattan Transit 6s continued their advance to above 74, and the Manhattan Railway consolidated 4s, which sold at 53½ at the close of the year, changed hands at above 58. Interborough Rapid Transit 5s were up a point, while the Third Avenue Railway adjustment 5s gained 2½. However, at 45, considerable selling was encountered. American Water Works 5s, sold at 85, up 1½.

Industrials were consistently strong, with no weakness in any direction. Cuban Cane Sugar issues gained 2, and all other sugar bonds were in demand. Cerro de Pasco convertible 8s, as usual, led the coppers, closely followed by the Magma convertible 7s, which sold at 114. Issues which had been under pressure promptly recovered previous losses, conspicuous examples being the International Mercantile Marine 6s, which sold at 80½, and the Virginia-Carolina Chemical bonds. The first mortgage 7s sold at 85, and the debenture 7½s reached 72. Empire Fuel & Gas 7½s gained 2½. Sinclair Pipe Line 5s were another strong feature, selling at 84, up 3. As our subscribers will observe, most of these issues have been and are yet being carried in the Bond Buyers' Guide, and purchases, when originally recommended, now show good profits.

BOND BUYERS' GUIDE

	Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
HIGH GRADE (For Income Only)			
Non-Callable Bonds:			
Baltimore & Ohio, 4s, 1948....(b)....	82	5.40	1.35
Canadian Northern Debenture 6½s, 1946....(a)....	112	5.60	*
Delaware & Hudson 7s, 1930....(b)....	107	5.70	2.10
Great Northern Genl. 7s, 1936....(c)....	107	6.20	3.75
New York Central Rfd. and Imp. 5s, 2013....(c)....	†95¾	5.30	1.65
Western Union Telegraph Co. 6½s, 1936....(a)....	109½	5.60	e 8.00
New York Edison Co. 6½s, 1941....(b)....	‡111	5.50	3.30
Bush Terminal Buildings 5s, 1960....(a)....	91¼	5.60	1.85
Callable Bonds:			
Armour & Co. of Del. 1st 5½s, 1943....(c)....	88¾	6.50	5.00
Armour & Co. Real Estate 4½s, 1939....(a)....	84	6.10	....
Canadian General Electric deb. 6s, 1942....(a)....	103	5.75	4.40
Duquesne Light Co. 6s, 1949....(b)....	104½	5.65	3.40
Philadelphia Company 6s, 1944....(c)....	110	6.00	3.50
Short-Term Bonds:			
B. & O., P. J. & M. 3½s, 1925....(b)....	95	6.20	1.35
B. & O., Southwest Div. 1st mtg. 3½s, 1925....(b)....	96¼	5.80	1.35
Seaboard & Roanoke 1st 5s, 1926....(a)....	97¼	6.25	....
Southern Pacific conv. 4s, 1929....(a)....	92¾	5.50	2.40
Union Pacific conv. 4s, 1927....(b)....	96	5.20	3.10
Dominion of Canada Internal 5½s, 1927....(d)....	100¼	5.30	....
Bell Telephone Company of Canada 5s, 1925....(b)....	98	6.25	2.75
Aluminum Company of America 7s, 1925....(a)....	102	5.90	....
Columbia Gas & Electric Co. 1st 5s, 1927....(b)....	96¼	6.40	6.90
Fisher Body Corp. 6s, 1926....(a)....	99	6.40	e 6.30
MIDDLE GRADE (For Income and Profit)			
Railroads:			
Carolina, Clinchfield & Ohio 1st 5s, 1938....(c)....	92½	5.80	1.45
Chesapeake & Ohio conv. 5s, 1946....(b)....	89¼	5.90	1.52
Cuba R. R. 1st 5s, 1952....(a)....	82	6.30	2.45
Chicago & Eastern Illinois Gen. 5s, 1951....(c)....	76½	6.95	f 1.15
Erie & Jersey 1st 6s, 1955....(a)....	90	6.80	1.31
Kansas City Southern Rfd. and Imp. 5s, 1950....(a)....	86¾	6.00	1.90
Missouri, Kansas & Texas Prior Lien 5s, 1962....(c)....	79¾	6.60	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931....(a)....	101½	6.25	1.50
N. O. & N. E. Rfd. and Imp. 4½s, 1952....(a)....	83	5.75	2.70
St. L. & S. F. Prior Lien 4s, 1950....(c)....	66½	6.75	1.10
Western Pacific 1st 5s, 1946....(c)....	80	6.75	2.30
Industrials:			
Anaconda Copper Mining Co. 1st 6s, 1953....(b)....	96¼	6.25	g 1.25
Bethlehem Steel Co. 5s, 1936....(a)....	89	6.25	2.30
Computing Tabulating & Recording 6s, 1941....(b)....	99	6.10	5.50
Goodyear Tire & Rubber Co. 8s, 1941....(c)....	115	6.55	5.80
B. F. Goodrich 1st 6½s, 1947....(b)....	98½	6.65	2.70
Sinclair Pipe Line 6s, 1942....(b)....	84	6.60	g 2.50
South Porto Rico 1st Mtg. and Col. 7s, 1941....(b)....	101	6.90	2.20
Union Bag & Paper Co. 6s, 1942....(b)....	97	6.30	dd 4.00
U. S. Rubber 5s, 1947....(c)....	85¼	6.20	4.00
Wilson & Co. 1st 6s, 1941....(a)....	96¼	6.30	1.35
Public Utilities:			
Amer. Water Works & Elect. Corp. Col. 5s, 1934....(c)....	85	6.90	1.80
Dominion Power & Transmission 1st 5s, 1932....(a)....	89	6.60	2.10
Denver Gas & Elec. 1st and Rfd. 5s, 1951....(c)....	85¼	6.10	e 4.70
Havana Elec. Ry. Light & Power 5s, 1954....(a)....	82¼	6.30	5.00
Manhattan Railway Cons. 4s, 1990....(a)....	68	7.00	g 0.90
Montreal Tramways 5s, 1941....(c)....	87	6.25	g 1.25
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942....(a)....	91½	5.80	2.05
Public Service Corporation of N. J. 5s, 1959....(a)....	79	6.50	1.75
Utah Power & Light 5s, 1944....(a)....	88	6.00	1.60
United Fuel Gas 6s, 1936....(b)....	93¼	6.80	5.85
Virginia Railway & Power 5s, 1934....(a)....	88	6.00	1.90
SPECULATIVE (For Income and Profit)			
Railroads:			
Chicago Great Western 1st 4s, 1959....(a)....	50¾	8.40	0.85
Erie Genl. Lien 4s, 1996....(b)....	54	7.50	1.31
Chicago, Milwaukee & St. Paul conv. 5s, 2014....(c)....	55	9.10	1.02
Iowa Central 1st Mtg. 5s, 1938....(a)....	60½	9.75	0.80
Minneapolis & St. Louis 1st cons. 5s, 1934....(a)....	63½	11.10	....
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967....(c)....	53	9.50	1.10
St. Louis & San Francisco Adj. Mtg. 6s, 1955....(c)....	74¾	8.30	1.10
Rock Island, Ark. & Louisiana 1st 4½s, 1934....(c)....	75	8.00	....
Seaboard Air Line 4s, 1950....(a)....	59	7.70	1.14
Western Maryland 1st Mtg. 4s, 1952....(a)....	59	7.50	1.20
Industrials:			
Cuba Cane Sugar 7s, 1930....(c)....	92½	8.60	1.80
Empire Gas & Fuel 7½s, Series "A" 1937....(c)....	92½	8.40	3.30
International Mercantile Marine 6s, 1941....(b)....	80¼	7.25	3.25
Virginia-Carolina Chemical 7s, 1947....(c)....	85	8.50	1.20
Wilson & Co. 7½s, 1931....(a)....	97½	7.90	aa 1.35
Public Utilities:			
Chicago Railways 1st 5s, 1927....(a)....	74½	14.75	1.08
Federal Light Traction 7s, 1953....(b)....	100	7.00	2.10
Interboro Rapid Transit 5s, 1966....(a)....	60	8.50	0.90
Third Avenue Railway Rfd. 4s, 1960....(b)....	54	7.85	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. ¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (d) Lowest denom., $50.
(aa) 1922. (c) Lowest denom., $100. (dd) Average last two years.

e Average last three years. f 1922. g Average last four years.
i Does not include interest on adjustment bonds.

Money, Credit and Business

Stability the Keynote of Business

New Year Starts Favorably—Some Qualifications—Production on Low Normal Basis—Banking and Finance Sound

Business remains reasonably good with fair prospects for the coming year. Banking and finance are strong and stable, and production is moderate. Interest rates are on a satisfactory basis and both they and prices show signs of decided stability. Foreign trade is uncertain and its prospects for improvement are not very brilliant.

BEGINNING the year 1924, trade and industry have the advantage of an excellent foundation laid during the preceding twelve months. They thus start with a more satisfactory, and more normal, prospect, than they have had at the opening of any recent year. Many forecasts have lately been made by business authorities as is the custom at the close of one year and the beginning of a new one. There is a very general unanimity of opinion in them. Practically all agree that there is no "boom" in sight and no reason at present to look for depression. There is a recognition of large problems to be dealt with both internationally and domestically, and a certainty that in the absence of some satisfactory solution of them prosperity cannot be real or permanent.

The Volume of Production

The volume of production in mid-winter is seldom a good guide to actual conditions, except when it is carefully compared with the situation at the corresponding season in former years. Latest figures for unfilled orders of the United States Steel Corporation show the first increase in nine months, but the amount of increase is small and the trend as yet is not well defined. At the same time pig-iron production has still further declined and steel ingot output has done likewise. These indications of "slowing down" should not be taken too seriously. Pig-iron production for 1923 was the largest in history. They represent a reaction in steel production which got under way last autumn and has not yet exhausted itself.

The truer test of the situation is found in the prospects for manufacturing which involved a demand for steel. It is now estimated by some building authorities of reliable standing that the value of construction during the coming year will be about $4,500,000,000, or fully 10% more than that of 1923, with corresponding increase in the demand for steel and iron. Automobile production is, according to all calculations, likely to continue on its present level or at an increasing rate, the result being to make another corresponding demand for steel, while oil is apparently getting out of its condition of depression (with prospective lower demand for pipe) and the railroads are placing orders for equipment on a very substantial basis.

All this goes far to offset the reduction in the output of steel which has been the subject of a good deal of comment. Nevertheless it is true that without a much larger demand for export we can hardly expect to keep our plants in operation on the basis of output which was developed during the War and the period immediately after the close of the struggle. The output of copper continues good with a somewhat increasing demand for the metal which is tending to raise prices, and oil output is being brought under control with a rather better adjustment of supply to demand.

It continues doubtful how active the textile mills can expect to be with materials, and particularly cotton, as high as at present, and there may be a condition of reduced employment in the cotton-milling region during a part of the coming season. In spite of these conditions, the fact remains that production is moderately satisfactory and that a very unusual holiday trade has cleared the shelves of merchants of consumable goods, the result being to insure a substantial future demand for products of current use.

Price Situation Favorable

Unusual stability in prices continues to prevail with a slight upward tendency which, however, has not gone far enough to warrant its being regarded as particularly indicative of any change in conditions. The monthly fluctuation has of late been little more than 1%, taking wholesale prices as a group, and, while there have been changes of a more extreme nature in some sections of the list of index number commodities, they have averaged off against one another very well. Taking basic commodities individually it would appear that in both the agricultural and manufacturing field substantial stability is being maintained and that our continued influx of gold is having but little influence upon the situation.

This state of affairs tends to confirm the predictions of business forecasters who foresee only a fairly steady moderate condition of trade. Stable prices do not conduce to "boom" conditions nor do they tend to depress business, but they leave it in a fairly normal and fixed condition, such that there is no reason to fear very material changes. For the coming month, the indications are favorable to the present level of prices with possibly 1% advance but hardly any greater change. Conditions are so unsettled abroad, and readjustments in agriculture, planned for the present year, are so extensive that a very long price forecast is out of the question. As shown by the accompanying diagrams the movements of prices in Great Britain and the United States are now very substantially parallel.

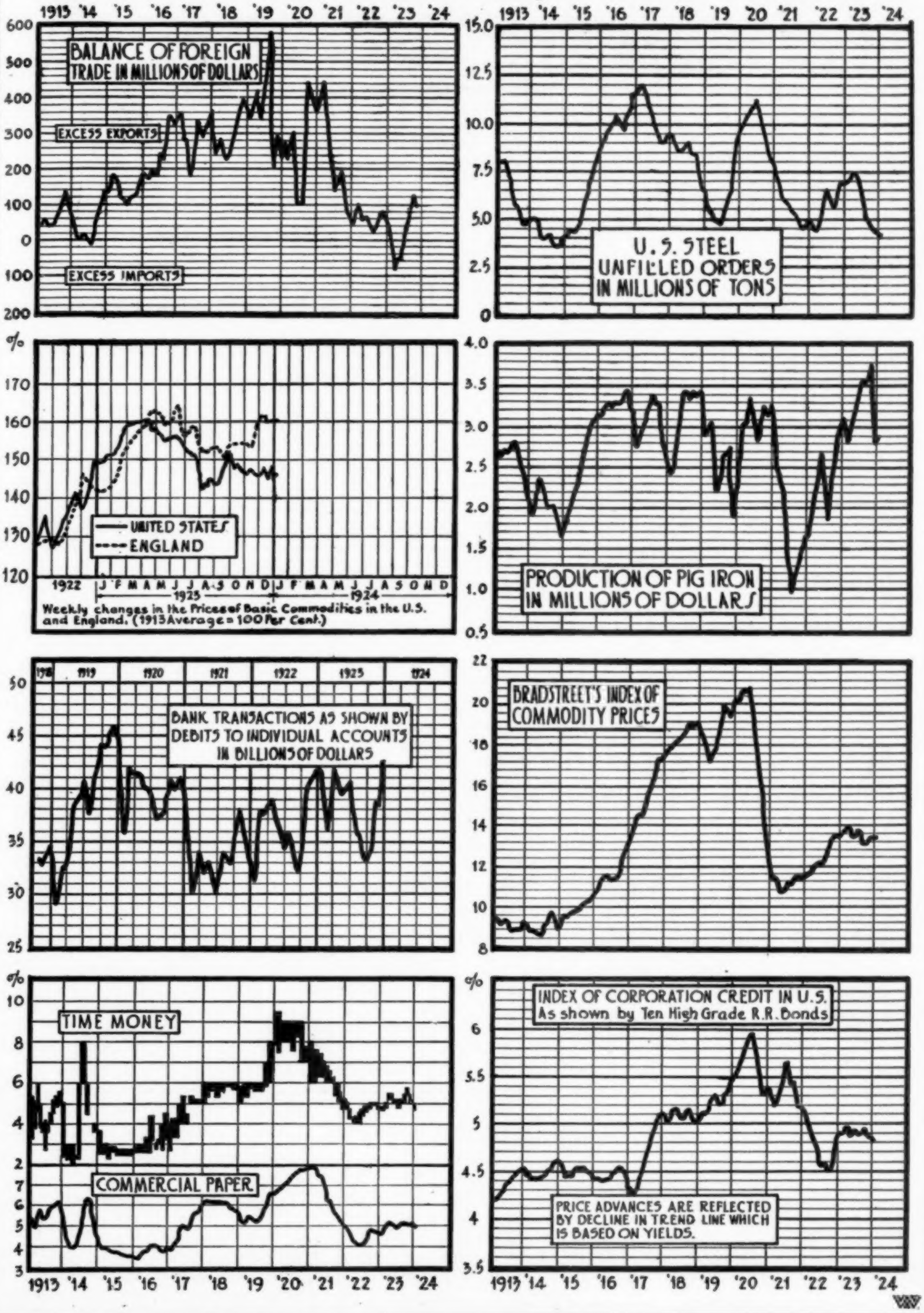
Money and Investment

The year has opened favorably in the money and investment field. Securities placed on the market during the year 1923 were about $3,600,000,000 of which $2,900,000,000 was industrial. These figures include refunding issues, but they show a very unusual absorptive power on the part of the market. There is every reason to suppose that the conditions which so greatly favored the issue and distribution of securities in 1923, and particularly during the latter part of the year, will continue for some time to come.

Business is moderate, the demand for commercial loans is on a relatively low plane, speculation is not excessive and employment is widespread, wage is good and saving substantial. In these circumstances, it is not surprising to find a continued abundance of money available, while the bond market still shows the influence of moderate money rates and strong demand. The tendency of bonds is upward. This means that there is likely to be a favorable situation for refinancing, and the accompanying diagram shows a decline in the index of corporation credit which means price advance in bonds and consequently a falling off in

(Please turn to page 542)

THE TREND OF MANUFACTURE, TRADE & COMMERCE



Fourteen Thumbnail Analyses of INDUSTRIAL SECURITIES

1—Wilson & Company

Packing Companies at Last Turn Corner

SQUEEZED between the everlasting activity of Federal investigation and business conditions of the past two years, the big packing companies have found anything but pleasant experiences, but lately there have been some signs of improvement in business. Sales turnover has been heavy all through the year, but profits have been narrow. One redeeming feature has been relative price stability, thus eliminating fear of inventory trouble. Available statistics show a decided increase in consumption of pork products, and to a lesser degree of beef, veal, mutton and lamb.

Wilson & Company, one of the so-called big five, is the only representative packing stock traded in upon the New York Stock Exchange. Criticism has been directed to capital structure on account of the preponderance of funded debt, which consists of 48 million dollars, against 10 millions, 7% preferred stock and 202,000 shares of common stock of no par value. Of the funded debt, 25 million dollars represents bonds convertible into common stock. Neither of these conversion privileges is worth anything at the present time, but if Wilson & Company should run into a period of substantial earnings the resultant rise of the junior shares might reach a level where conversion would be attractive and capital structure be corrected. There was a time when it was feared that the company was not earning preferred dividends, but the president said a few weeks ago that there would be no difficulty in earning preferred dividend and that the treasury position was satisfactory.

The outstanding bonds may not be, strictly speaking, of the highest grade, but in view of improvement in the industry they seem attractive at present prices. *Preferred stock has paid dividends for thirteen years and is good grade for a business man. The common is in a strategic position to respond definitely to improvement.*

2—International Harvester Co.

Harvester Has Still to Score Recovery

TWO main points to be considered in connection with International Harvester are the recovery of earnings and Federal litigation. When many basic industries were operating close to 100% in 1923, Harvester was operating at around 65%. Still, it is expected that the 1923 surplus for the common stock was in excess of that of 1922, when $1.35 was earned. Prior to the depression in the farm-implement business, Harvester had built up a working capital of roughly 150 million dollars, which has helped immensely in continuing the 5% cash dividend. The stock dividend distributions at the annual rate of 4% have been discontinued.

In July, 1923, the Government demanded that International Harvester be separated into three independent corporations, claiming that the original decree entered in November, 1918, was inadequate. Restriction of competition is alleged and it is intimated that International Harvester has depressed prices unduly. This Government suit is still hanging fire, but it has been reported that an early settlement is possible. An incidental trade factor which may have a growing influence is the increase in the Ford tractor business.

International Harvester has no funded debt, and the 7% cumulative preferred, with an unbroken dividend record, is first class. The trend of the common has been downward since early in the year, but it seems to have found stability around 75 to 80. *This price recognizes not alone the 5% cash dividend rate, but the intrinsic value of the business, including the idea that impairment of earning power is temporary.*

While the stock, which yields only about 5% on current market prices, is not attractoive from an income view-point, it is necessary to bear in mind that further improvement in earnings will be reflected in the market, so that it offers considerable promise of an enhancement of value. Harvester's earning power should soon be restored.

SIX-YEAR RECORDS OF:

WILSON & CO.

Year	Oper. Income*	Bond Int.*	Earned Per Share Pfd.	Earned Per Share Com.	Wkg. Capital*	Price Range Com. Stk. High	Price Range Com. Stk. Low
1917	7.4	0.9	$62	$28	18.9	84¼	42
1918	8.6	0.9	73	33	43.2	77¼	45¼
1919	5.2	2.4	26	9	42.5	104⅞	65⅝
1920	1.5	2.4	d	d	33.4	82⅛	34⅞
1921	d6.0	2.4	d	d	30.2	47	27½
1922	4.4	3.2	11	0.9	21.2	50¼	27½

INTERNATIONAL HARVESTER

Year	Sales*	Net Income*	Earned Per Sh. Com.	Surplus*	Wkg. Capital*	Price Range Com. Stk. High	Price Range Com. Stk. Low
1917	n	24.9	$27	7.0	126	...	...
1918	204	26.7	28	6.9	141	121	104
1919	212	21.0	21	3.6	156	149⅝	110
1920	225	17.2	14	6.7	158	142½	88
1921	121	4.2	d	d5.2	152	100½	67⅝
1922	n	5.5	1	d3.5	144	115⅞	79⅛

* Millions of dollars. d—Deficit. n—Not reported.

3—Coca-Cola Co.

Does Coca-Cola Yet Merit Confidence?

PER SHARE RESULTS

Year	Earned	Paid
1920	$2.88	$2
1921	3.29	1
1922	11.14	3
1923	*6.03	7

* Six months to June 30th.

COCA-COLA is a company which has shown a relatively strong earning power, but a weak asset position. Outside of earning power, principal assets back of the common shares are trade-marks, good will, etc. Company had poor years in 1920 and 1921, and the small net earnings were importantly affected by wide fluctuations in sugar prices—the company's most important raw material.

Advance in raw sugar last year gave rise to reports that Coca-Cola's margin of profit would be increasingly smaller, but not enough figures are at hand to prove anything one way or another.

In the six months ended June 30, 1923, earnings were equal to $6 a share upon the common stock, against a semi-annual dividend rate of $3.50.

In making contracts with consumers of Coca-Cola syrup, the company has enforced a sliding-price clause governed by the price of sugar, and consequently, one of the speculative risks heretofore attached to the shares has been largely ameliorated. The distribution of Coca-Cola syrup is divided between bulk sales direct to soda fountains and sales to five distributing companies which sell to bottling concerns.

The floating supply of Coca-Cola, as listed upon the New York Stock Exchange, is rather small, because 51% of the outstanding 500,000 shares has been deposited in exchange for shares of a holding company known as Coca-Cola International Corporation. This holding company was formed to keep control of the operating company in the south, and its shares have no wide market in northern centers.

Ahead of the common is $10,000,000 7% preferred, which is inactive and which is entitled to a fair rating. The common is selling far below a level which would obtain if the current dividend rate was considered strongly protected. It is a stock which has yet to establish itself in the confidence of conservative stock-market participants.

The market history of this issue indicates that it is now selling at relatively high levels, having advanced to above current prices from prices as low as the 30's several years ago. Dividends have steadily been increased and the present rate of $7 a share seems to be all that a conservative management could declare and at the same time retain a good working capital balance. On that basis, the stock does not appear particularly attractive, even though the yield of 9% is high.

4—B. F. Goodrich Co.

Making Rapid Strides Toward Recovery

THE manufacture of automobile tires is an industry which "ought to be, but isn't." During 1923, a period of great activity in the automobile field, net earnings of tire companies were small. Overproduction was encountered around the first half of the year, and the second half seemed to be mainly a period of keeping inventories within reasonable bounds and placing distribution of products. On the other hand, sales of mechanical rubber goods and footwear have been substantially profitable. The Goodrich Co. is one of the largest manufacturers of tires and rubber goods. Earnings were large during the war period, and the abnormal impetus that was given the industry during that period has apparently done more harm than good.

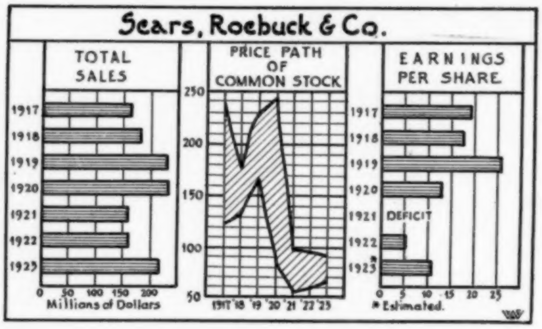
Readjustment of Goodrich's financial position, as a result of depression losses, created a funded debt of almost 24 million dollars, putting charges of 1.5 millions ahead of share capitalization charges which were not there prior to 1920. In the six months ended June 30, last, Goodrich covered interest charges and preferred dividends with a surplus to spare equal to almost $3 upon the common stock. As of June 30, 1923, financial condition was fair, but not unusually strong. Lately there has been some evidence that tire manufacturers are obtaining better control over their problems, and the hope for 1924 lies importantly in production schedules that will keep in line with probable consumption. Some cynics observe that the product of tire manufacturers is of too good a quality and last too long.

Securities of Goodrich have discounted all known factors. The first mortgage 6½% bonds can be bought under par and are a good business man's investment; the 7% preferred stock upon which dividend payments are unbroken can be bought to yield over 9%. It seems to be a fair speculation. *The common in the low 20's gives complete expression of the situation and may well have a substantial advance in the face of definite signs of improvement in the industry. In fact, the stock has recently been quite strong along with the representative issues in the industry. This movement is evidently in anticipation of an impending revival of earnings.*

HOW GOODRICH HAS FARED SINCE 1918

Year	Net Sales*	Net Income*	Surplus*	Earned per Share of Common
1918	123,470	$17,189	$13,000	$24.17
1919	141,343	17,304	12,658	24.75
1920	150,007	2,711	‡3,582	‡
1921	86,687	‡18,983	‡22,511	‡
1922	93,649	3,047	442	0.66
1923	†54,000	3,000	1,724	2.85

* In thousands of dollars. ‡ Deficit.
† Six months to June 30th.



5—Sears, Roebuck & Co.

Has Sears, Roebuck & Co. Discounted Prosperity?

SEARS, ROEBUCK & CO. is back on a basis where earnings upon the common shares are substantial and dividend prospects better than fair. At the end of 1921 the company was almost "flat." Profit and loss surplus stood at a small total, the figure at the end of 1921 being less than 2 million dollars compared with over 33 millions at the end of 1919. The depression which hit the mail order business following the war, made it necessary for Sears, Roebuck to sell 50 million dollars notes, pass dividends upon the common stock and pile up some 44 million dollars in bank loans. All the 50 millions notes have been paid off, bank loans are inconsequential, and earnings upon the common stock shares for 1923 are estimated to have been between $10 and $12 a share.

It is estimated that gross sales in 1923 were about 215 millions, an increase of 18% over last year. It is indicated, however, that margin of profit is not as large as it was in the extra prosperous years. Early in 1923, the company increased prices on an average of about 10%, but in view of the limited relative purchasing power of rural communities, the selling price policy is necessarily fixed as closely as consistent with cost of doing business.

Sears, Roebuck preferred has paid dividends all through the depression and is an excellent grade issue of it kind. In connection with the common it is necessary to mention that pre-war prices were due not only to cash dividend rate, but also to stock dividend policy, which was liberal. In view of depleted profit and loss surplus, it is not logical to assume that stockholders can expect a repetition of the stock dividend policy which extended from 1911 to 1920.

The common stock issues at current levels of around 87 has already discounted restoration of dividends up to a 7% rate. It is possible that in view of the fact that shareholders have been unable to participate in profits for several years, the directors may decide to inaugurate dividends at a higher than 7% rate. In this case, the stock would be attractive even at current prices. Since, however, there is no certainty as to the expected dividend rate, it would be as well not to climb for this issue but await developments.

6—National Department Stores

A Retail Organization with a Big Future

NATIONAL DEPARTMENT STORES was organized about a year ago and took over department stores operating in Cleveland, Pittsburgh, St. Louis and Wheeling, W. Va. About two months ago earnings base was largely extended by the acquisition of the Frank & Sedlar group of stores operating in Pittsburgh, Philadelphia and Detroit, and the business of National Department Stores has almost doubled in volume. The price paid was a total of 5 million dollars of National Department Stores preferred stock and 200,000 shares of common. The Frank & Sedlar group probably earned a net of 2.25 millions in 1923, or roughly 50% of the estimated net profits of National Department Stores.

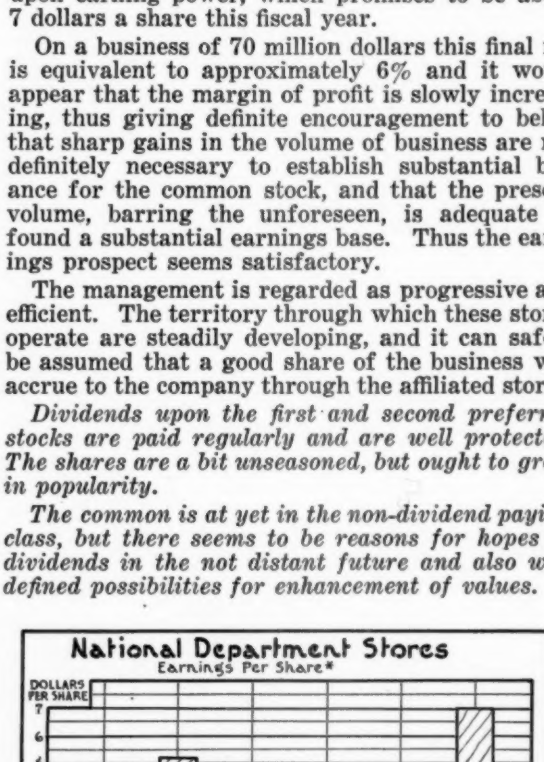
The company does a volume business at a small margin of profit and it is supposed that inventory turnover is relatively rapid. Property assets including stores, equipment, etc., cover the amount of the preferred stock outstanding and the common, like most similar ventures, depends entirely upon earning power, which promises to be about 7 dollars a share this fiscal year.

On a business of 70 million dollars this final net is equivalent to approximately 6% and it would appear that the margin of profit is slowly increasing, thus giving definite encouragement to belief that sharp gains in the volume of business are not definitely necessary to establish substantial balance for the common stock, and that the present volume, barring the unforeseen, is adequate to found a substantial earnings base. Thus the earnings prospect seems satisfactory.

The management is regarded as progressive and efficient. The territory through which these stores operate are steadily developing, and it can safely be assumed that a good share of the business will accrue to the company through the affiliated stores.

Dividends upon the first and second preferred stocks are paid regularly and are well protected. The shares are a bit unseasoned, but ought to grow in popularity.

The common is at yet in the non-dividend paying class, but there seems to be reasons for hopes of dividends in the not distant future and also well defined possibilities for enhancement of values.



7—Burns Brothers Coal

Why Burns Bros. Shares Do Not Seem Attractive

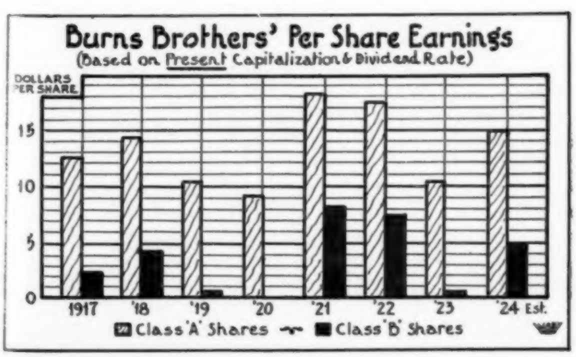
BURNS BROS. is the dominating factor in the retail coal trade in New York City. During the past few years, through absorption of its principal competitor and advantageous situation of its various coal yards, the company has greatly strengthened its trade position, but, in connection with extension of facilities, has also greatly expanded capitalization.

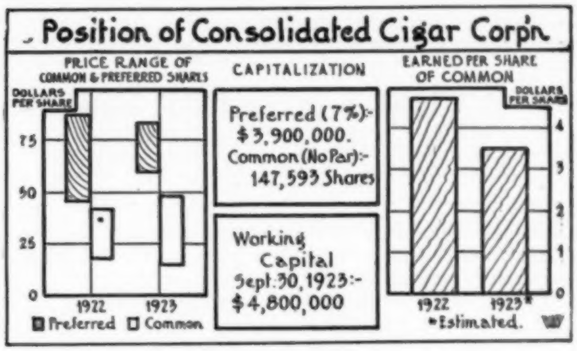
There are outstanding 1.1 millions prior preference stock, entitled to cumulative dividends at the rate of 7% per annum; 3 millions 7% cumulative preferred stock; 80,944 shares no par class "A" common and 80,940 shares no par class "B" common. Prior to 1922, capitalization consisted of 1.5 millions preferred and 7.1 millions common. The class "A" stock is entitled to dividends at the rate of $8 per annum, but also shares equally in any distribution made on the class "B" stock. Inasmuch as $2 per share is being paid annually on the latter, the class "A" stock is at present on a $10 per annum basis.

An examination of the earning record discloses the fact that income has not kept pace with capitalization. For the fiscal year ended March 31, 1917, net was 1.3 millions, and earnings for the three following years were stabilized at around that figure, ranging from 1 to 1.4 millions annually. Due to high prices ruling for coal, income climbed to over 1.7 millions for the 1921 and 1922 fiscal years, but dropped to 1.1 millions for the year ended March 31, 1923. For the five months April to September, net was around $600,000. This represents the slack period of the business and for the fiscal year, earnings should be around 1.5 millions. This would be equivalent to around $15.00 a share on the "A" and $5.00 a share for the "B" stocks.

Financial condition is strong. As of March 31, current assets exceeded liabilities by 7 millions.

Both the "A" and "B" stocks have experienced drastic declines from their high levels. At 104 for the "A" and 24½ for the "B," the yields are 9.5% and 8.1%, respectively. *Owing to present earning power and financial condition, there should be no difficulty in continuing present dividends, but both issues are unattractive as vehicles for enhancement of profit.*





8—Consolidated Cigar Corp'n.

Cons. Cigars Affairs on the Upgrade

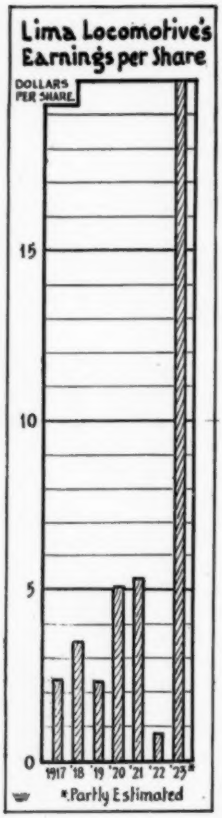
THE recently published report of the Consolidated Cigar Corporation for the nine months period ended September 30th, shows that the affairs of the company are again on the upgrade.

The corporation, in the past, has displayed good earning power. It was organized in 1919, and for the seven months' operation that year, earned $3.50 a share for the 90,000 shares common then outstanding. In the following year, net was 1.5 millions, or almost $12 a share, and dividends at the rate of $1.50 quarterly and $1.75 quarterly paid to September 15, 1921, together with a stock dividend of 15%. The depression in 1921 and necessity of adjusting high cost inventories with existing condition played havoc with the company in 1921. The result was a loss of 1.2 millions that year and necessitated not only passing dividends on the common, but also on the preferred.

Better business in 1922 resulted in earnings of 1 million dollars and dividends on the preferred were resumed. After allowing for 7% thereon and $80,000 sinking fund for redemption of the senior shares, balance was equivalent to $4.77 on the 147,593 shares of stock, 45,500 shares having been sold to stockholders and employes during the year at $25 a share, the profit and loss deficit of approximately $900,000 shown in the balance sheet at the end of 1921 was changed to a surplus of over $99,000 in 1922. For the first quarter of 1923, earnings were $155,000 compared with $112,500 for the same period in 1922. Labor troubles then curtailed operations and in the second quarter only $95,000 was earned. With return of normal conditions, profits for the third quarter were around $270,000, which was more in line with the company's actual earning power and it has probably wound up the year with around $3.50 earned for the common.

Capitalization consists of 3.9 *millions* 7% *cumulative preferred, par* $100, *and* 147,593 *shares common of no par value. There are* 5¼% *arrears due on the preferred, which, at present, is paying the regular rate, and this stock, quoted at around* 75, *is selling out of line with earning power and favorable future prospects of the company. The common stock seems undervalued at current quotations of around* $20 *a share.*

Why Lima Could Pay Larger Dividends on Common



LIMA LOCOMOTIVE CO. was incorporated in April, 1916, as successor to a business established in 1872. Its plants, located at Lima, O., have an annual capacity of 450 locomotives. As in the case of other locomotive manufacturers, earnings fluctuate widely, depending almost entirely on railroad equipment orders. The accompanying graph strikingiy illustrates how widely the company's earnings fluctuate from year to year. For the seven years ended December 31, 1923, net income has averaged approximately $5.50 a share on the 211,057 shares of common stock now outstanding. These average earnings, however, do not present a fair picture of the present earning power. In 1923, net income was in excess of 4 millions, equivalent to $20 a share, which compares with the best previous earnings of the company of 1.1 millions reported in 1921, an increase of nearly 400%. It is true that 1923 was a banner year for the locomotive companies, but neither Baldwin or American have been able to report any such percentage of increase over earnings of previous years. In 1923, for example, American Locomotive will show net income of about 13 millions, which compares with 5 millions in 1921 and 9.7 millions in 1919. The exceptional increase in the earnings of Lima reflects the increased capacity of its plants and its ability to secure a large share of the locomotive business.

Lima Locomotive has retired its entire funded debt and preferred stock and only the common shares are now outstanding. Balance sheet as of December 31, 1922, shows working capital of 5 millions. Earnings for 1923 have probably increased this item to 8 million, equivalent to $38 a share on the stock. As it requires a considerably smaller volume of orders to enable Lima to operate at a satisfactory rate than in the case of the large locomotive companies, it is in a somewhat better position than the rest when business falls off. At present, Lima has sufficient orders to assure a good rate of operation for the first quarter of 1924, which is more than can be said for the two larger companies. *As a $4 dividend payer, Lima at 66, appears relatively high but since this dividend was earned five times over in 1923, an early increase can be looked for even if conditions remain only moderately good.*

Steel Foundries Has Scored Remarkable Results

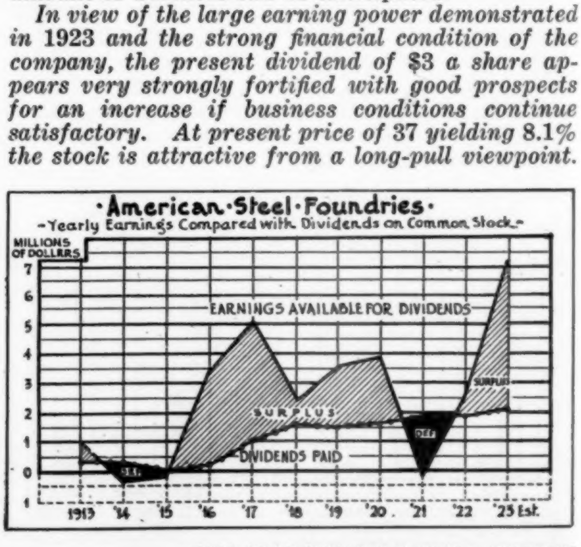
AMERICAN STEEL FOUNDRIES manufactures cast iron car wheels, bolsters for freight cars, brake beams, railroad car springs, automobile springs and railway steel castings of every description. The record amount of traffic handled by the railroads in the past year has brought a large volume of business to this company and, as a result, operations have been at capacity throughout practically all of 1923. Business of this company is somewhat more stabilized than in the case of many railway equipment manufacturers as the railroads are always to a certain extent in the market for the company's products. Locomotive and car manufacturers, on the other hand, frequently encounter periods during which orders for new equipment are practically nil. In 1922, for example, American Locomotive did not fully earn its preferred dividend whereas in the same year American Steel Foundries earned $3.40 a share on the common stock. In comparing earnings of the railway equipment companies, the greater stability of American Steel Foundries earnings is an important factor to bear in mind.

For the 9 months ended September 30, 1923, the company earned $7.32 a share on the common stock and as operations in the last quarter were close to capacity, it is conservative to estimate $10 a share on the common for the full 1923 year.

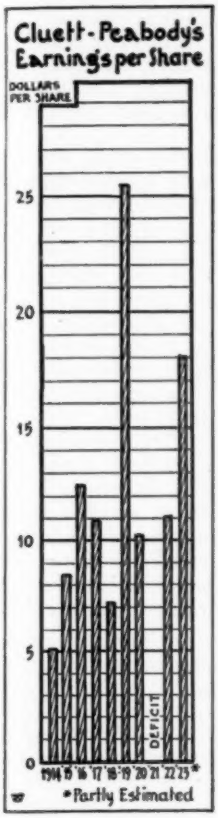
Balance sheet as of December 31, 1922, shows a strong financial position with a working capital of 15 millions, and ratio of current assets to current liabilities $4\frac{1}{2}$ to 1. As surplus after dividends in 1923 will be around 5 millions the company's financial condition at the present time is undoubtedly very much stronger.

Orders for equipment have recently fallen off considerably and 1924 is not likely to be as prosperous a year for American Steel Foundries as in the case of 1923. However, a reasonably good amount of business can be anticipated.

In view of the large earning power demonstrated in 1923 and the strong financial condition of the company, the present dividend of $3 a share appears very strongly fortified with good prospects for an increase if business conditions continue satisfactory. At present price of 37 yielding 8.1% the stock is attractive from a long-pull viewpoint.



Another Co. with Larger Dividends in Store



CLUETT-PEABODY is the largest manufacturer of collars in the world, its famous "Arrow" brand being sold in practically every city of the United States and Canada as well as in many foreign countries. It is also a large manufacturer of shirts, handkerchiefs, pajamas and other wearing apparel. Capacity of its plants is around 12 million dozen collars per annum and 500,000 dozens of shirts.

In 1920, the company was obliged to pile up large inventories due to a heavy demand for its products and the deflation period which followed resulted in substantial losses on this account. The common dividend was passed in April, 1921. Earnings of the company then recovered rapidly and early in 1923, common dividends were resumed at the rate of 5%. Bank loans, which reached a high level of 10.7 millions at the end of 1920, were down to 3.8 millions June 30, 1923, and are probably well under this figure at the present time.

In the period since 1916, Cluett-Peabody has earned over $75 a share on the common stock and has only paid out $35 a share. When first brought out, the common stock had little behind it but good will. Earnings have now brought net tangible assets up to about $50 a share. Of course, the good will of this company built up by the expenditure of many millions in advertising has real value.

For the six months ended June 30, 1923, net profits were equal to $10.89 a share on the common stock. In 1923, the company earned very nearly as much in the second half as it did in the first half and as operations are understood to have been at a satisfactory rate for the past several months, it is probably that for the full 1923 year at least $18 will be shown for the common.

From 1917 to 1919 inclusive, Cluett-Peabody paid 6% per annum on the common and in 1920 paid 8%. With earnings at the highest rate in its history, with the single exception of 1919, there are good grounds for the belief that a more liberal dividend policy will be adopted in the near future. *The stock at present price of 72, yielding about 7%, is a desirable long-pull holding for those in a position to carry speculative stocks of this nature. The company is the largest in its field and there is no reason to fear its ability to retain its prestige and supremacy.*

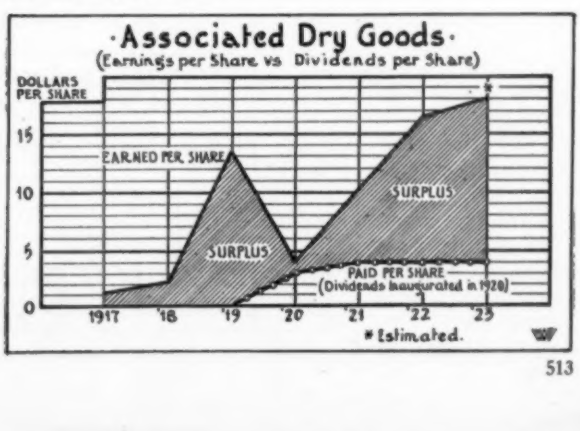
Where Earning Power is Being Strongly Bulwarked

ASSOCIATED DRY GOODS CO. is a holding company incorporated in 1916 to carry out a plan of reorganization of the Associated Merchants Co. and the United Dry Goods Co. It now owns all the stock of James McCreery & Co. (New York), J. N. Adam & Co. (Buffalo), Hahne & Co. (Newark), William Hengerer Co. (Buffalo), Powers Mercantile Co. (Minneapolis), Stewart Dry Goods Co. (Louisville), Stewart & Co. (Baltimore) and an 85% interest in Lord & Taylor (New York).

In the past three years, earnings have shown a steady increase and 1923 will be the best year in the company's history. It is expected that earnings for last year were about $18 a share on the common stock which compares with $16.42 a share in 1922 and $10.26 a share in 1920. As dividends on the common in these three years have been only at the rate of $4 a share, surplus earnings equivalent to $32 a share have been plowed back into the business. This conservative policy of the management is rapidly building up the financial strength of the company and it should not be very long before payment of larger dividends will be entirely justified. The common stock has just been placed on a 5% basis but this increase only reflects to a small degree the great improvement in the affairs of the company during the past few years.

Examining the record of this company, it is important to note that its earnings in 1921, which proved to be a disastrous year for many corporations, registered an important increase over those of 1920. Moderate recession in the general business of the country therefore does not necessarily affect the prosperity of Associated Dry Goods. All of the controlled stores have been meeting with increased patronage and earnings appear to be well stabilized at the current high rate.

At present levels of 81, the common stock yields only a little over 6%, but in view of the earning power of the company and the probability that earnings will continue at a high rate it is attractive as a long-pull speculation, especially in view of the fact that a higher rate of dividends than now current could be paid without impairing the company's financial position.



13—*Endicott Johnson*

A Strong Industrial Corporation

ENDICOTT JOHNSON is the largest manufacturer of shoes in the country with a capacity of about 130,000 pairs of shoes daily. The present company was incorporated in 1919, and succeeded to the business of a co-partnership of the same name which was formed in 1902. Operations of this business have been on a profitable basis for a long period of years and earnings have been maintained at a substantial rate in periods of depression. Even the deflation period of 1920-21 did not reduce earnings to any material degree.

Present capitalization consists of 13.6 millions of 7% cumulative preferred stock and 406,300 shares of common stock of a par value of $50. There is no funded debt. As of July 1, 1923, net tangible assets amounted to $60 a share on the common stock. On that date, working capital was 23 millions and ratio of current assets to current liabilities 2½ to 1.

ENDICOTT JOHNSON
Earnings Per Share Compared with Market Price

Year	Earned Per Share	Common Market Price High	Common Market Price Low	Common Average
1920	$5.46	147	47	97
1921	9.49	81	52	66½
1922	12.70	94⅛	76¼	85¼
1923	*9.00	†94¼	58⅞	76¼

* Partly estimated.
† 20% stock dividend paid Feb. 15.

Recent Price } 65

For the six months ended June 30, 1923, net profits were $4.57 a share after deducting depreciation, profit sharing and taxes. Earnings of this company as a rule are slightly higher in the last six months of the year, so that for the full 1923 year it is conservative to estimate that at least $9 a share will be shown for the common. At the present time, activity in the shoe industry has fallen off to a certain extent and it is possible that earnings of Endicott Johnson this year will fall short of the 1923 results. However, the company should have no difficulty in earning the present common dividend of $5 with a fair margin to spare.

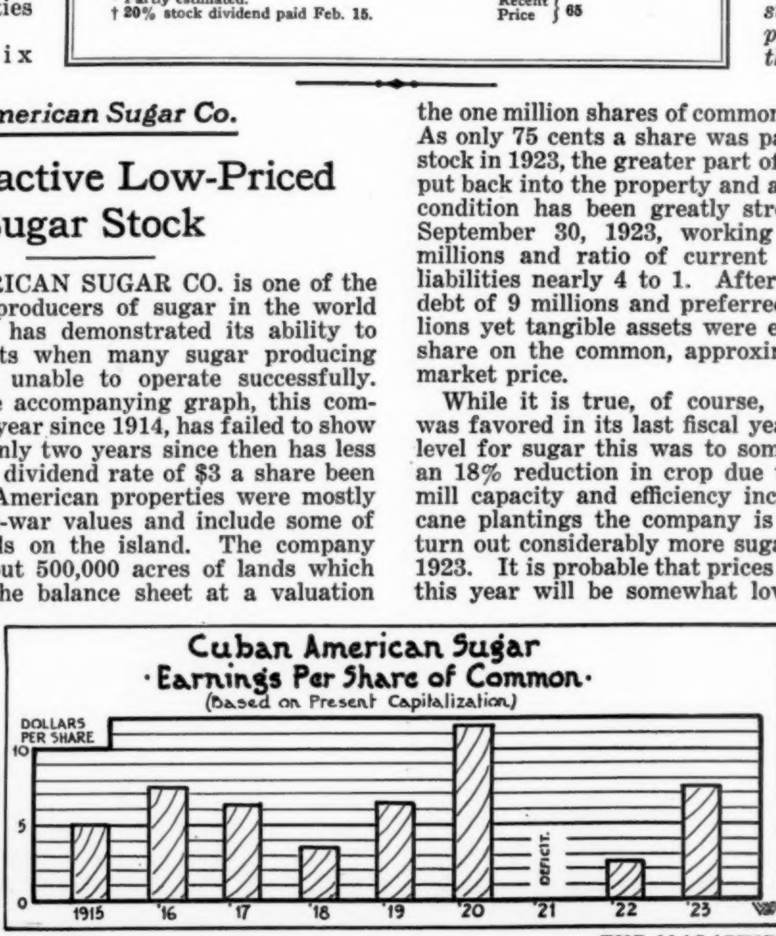
This company has in operation a profit sharing plan with its employees which provides that all earnings in excess of preferred dividends and $5 a share on the common shall be divided equally, half going to the employees and half to the company. This greatly strengthens the company's relations with its labor forces and prevents strikes. On the other hand, however, it curtails the profit possibilities of the stockholders.

The stability of earnings entitles the common stock to a good rating among common stock issues. At present levels of 65, *the return is* 7.7%.

14—*Cuban-American Sugar Co.*

An Attractive Low-Priced Sugar Stock

CUBAN-AMERICAN SUGAR CO. is one of the lowest cost producers of sugar in the world and in the past has demonstrated its ability to show good profits when many sugar producing companies were unable to operate successfully. As shown in the accompanying graph, this company in only one year since 1914, has failed to show a profit and in only two years since then has less than the present dividend rate of $3 a share been earned. Cuban-American properties were mostly assembled at pre-war values and include some of the choicest lands on the island. The company now controls about 500,000 acres of lands which are carried on the balance sheet at a valuation of $20 an acre, which is decidedly conservative.



For the year ended September 30, 1923, earnings, after deducting tax reserves and depreciation, were equivalent to $7.45 a share on the one million shares of common stock outstanding. As only 75 cents a share was paid on the common stock in 1923, the greater part of the earnings were put back into the property and as a result financial condition has been greatly strengthened. As of September 30, 1923, working capital was 18.4 millions and ratio of current assets to current liabilities nearly 4 to 1. After deducting funded debt of 9 millions and preferred stock of 7.9 millions yet tangible assets were equivalent to $33 a share on the common, approximately the present market price.

While it is true, of course, that the company was favored in its last fiscal year by a good price level for sugar this was to some extent offset by an 18% reduction in crop due to drought. With mill capacity and efficiency increased and larger cane plantings the company is in a fair way to turn out considerably more sugar in 1924 than in 1923. It is probable that prices received for sugar this year will be somewhat lower than last but there is nothing whatever in the sugar situation to warrant the belief that there will be any drastic decline in prices. *The dividend of $3 a share is well protected and at* 33 *the 9% yield is attractive.*

Preferred Stocks Gain Strength

Market Presents Some Excellent Opportunities—Large Advances Scored by Speculative Issues—Investments in Demand

THE preferred share market was consistently strong during the past two weeks. Tax selling over, the actual merit of various issues and excellent returns afforded by the present level of prices were too apparent to be ignored by investors, but the largest advances were made by non-paying dividend preferred shares which had been unduly depressed during long periods of selling on the part of discouraged holders, who endeavored to take advantage of the opportunity to record losses in their income tax returns. Central Leather preferred sold at 44½, American Hide & Leather preferred at 53, American Agricultural Chemical Company preferred at 48¾, Virginia-Carolina Chemical preferred at 34, American Chicle at 66. These represented advances of from 15 to 20 points in the short space of several weeks. Other speculative preferred issues showing large recoveries were American Sumatra Tobacco and Consolidated Cigars preferred, up 17 and 10 points, respectively.

Investment preferred stocks were also in demand, although naturally the advances in this division were on a more moderate scale. Cluett-Peabody & Company preferred at 105, was up 3 points. A similar gain was made by Bethlehem Steel 8% preferred, which sold at 108. North American and American Water Works & Electric 6% participation preferred led the utilities, with gains of 2½ and 5 points. St. Louis-Southwestern and St. Louis & San Francisco preferred were strong spots among the rails.

A great many issues are selling out of line with intrinsic value and yield, and investors will doubtless pay more attention to the preferred share market in the near future. Simply as illustrations, with an earning record of around 45% annually since its organization, there does not seem to be any good reason why Famous-Players 8% preferred should continue to sell at around 90, returning almost 9%. Mack Trucks first preferred is selling at 96, although asset value is over $300 per share, working capital of the company alone being over 2½ times the amount of the issue, and earnings are around ten times dividend requirements. Any number of similar favorable instances can be cited which, for the time being, appear to be overlooked by the investing public.

PREFERRED STOCK GUIDE

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Sound Investments				
INDUSTRIALS:				
American Can Co. (c.)	7	109¾	6.4	2.1
American Ice Company (n.c.)	6	79	7.6	3.2
American Woolen Co. (c.)	7	100½	7.0	2.5
Allied Chemical & Dye Corp. (c.)	7	110½	6.3	(x) 4.5
Baldwin Locomotive Works (c.)	7	111	6.2	4.4
Cluett-Peabody & Co. (c.)	7	105	6.6	4.7
Endicott-Johnson Corp. (c.)	7	113	6.2	4.6
General Motors Corp. deb. (c.)	7	99	7.1	(y) 5.1
Loose-Wiles Biscuit Co. 1st (c.)	7	106	6.6	3.2
Sears-Roebuck & Co. (c.)	7	111	6.3	12.6
Standard Milling Co. (n.c.)	6	81	7.4	4.3
PUBLIC UTILITIES:				
North American Co. (c.)	3	45	6.7	(w) 6.9
Philadelphia Company (c.)	3	43½	6.9	5.6
RAILROADS:				
Bangor & Aroostook (c.)	7	88	8.0	2.5
Chesapeake & Ohio conv. (c.)	6.50	99½	6.5	4.9
New York, Chicago & St. Louis (c.)	6	86	7.0	(x) 2.5
Middle-Grade Investments				
INDUSTRIALS:				
American Sugar Refining Co. (c.)	7	97	7.2	2.4
Armour & Co. of Del. (c.)	7	92¼	7.5	(z) 2.9*
American Steel Foundries (c.)	7	102	6.9	5.0
Allis-Chalmers Mfg. Co. (c.)	7	92½	7.5	2.8
American Smelting & Ref. Co. (c.)	7	97	7.2	1.7
Associated Dry Goods Co. 1st (c.)	6	85	7.0	3.0
Brown Shoe Co. (c.)	7	91	7.7	2.2
Bethlehem Steel Corp. conv. (c.)	8	108	7.4	3.8
Bush Terminal Buildings Co. (c.)	7	89	7.8	1.1
Coca-Cola Co. (c.)	7	96½	7.5	(x) 5.1
Cuban-American Sugar Co. (c.)	7	96	7.3	6.4
Genl. American Tank Car Corp. (c.)	7	95	7.3	5.4
General Baking Co. (c.)	8	108½	7.3	(x) 3.8
Gimbel Brothers, Inc. (c.)	7	99¼	7.0	3.3
J. Kayser & Co. (c.)	8	99	8.0	2.0
Kelly Springfield Tire Co. (c)	6	75	8.0	16.0
Natl. Cloak & Suit Co. (c.)	7	96¼	7.2	...
U. S. Industrial Alcohol Co. (c.)	7	97	7.2	6.4
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st (c.)	7	90	7.8	(x) 2.2
Public Service of N. J. (c.)	8	100½	8.0	(y) 3.4
RAILROADS:				
Baltimore & Ohio (n.c.)	4	59½	6.7	...
Colorado & Southern 1st pfd. (n.c.)	4	49½	8.0	6.2
Pittsburgh & W. Va. (c.)	6	85½	7.0	2.0
Semi-Speculative Investments				
INDUSTRIALS:				
American Beet Sugar Co. (n.c.)	6	72½	8.3	1.3
California Petroleum partic. pfd. (c.)	7	100	7.0	1.8
Famous Players-Lasky Corp. (c.)	8	90	8.9	(y) 5.7
Fisher Body Corp. of Ohio (c.)	8	99	8.0	...
Mack Trucks, Inc., 1st (c.)	7	96	7.3	(y) 2.8
Orpheum Circuit (c.)	8	91	8.8	(w) 2.5
National Department Stores (c.)	7	94	7.4	4.0
Pure Oil Co. conv. pfd. (c.)	8	91	8.8	3.5
Worthington Pump & Mfg. "A" (c.)	7	70	10.0	2.0
PUBLIC UTILITIES:				
Market Street Railway prior pfd. (c.)	6	67	9.0	1.4
RAILROADS:				
Kansas City Southern (n.c.)	4	53	7.5	2.5
Pere Marquette (c.)	5	60	8.3	2.3
St. Louis Southwestern (n.c.)	5	59	8.5	1.7
Southern Railway (n.c.)	5	67½	7.4	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

Industrial Securities Analyzed in This Issue

School for Traders & Investors

Twenty-Second Lesson

Long Distance Trading

Merits of Long-Distance Trading vs. Tape-Reading—Some Fundamental Rules to Observe

IF a trader has a clear understanding of the fundamental principles of trading and investing, it is not necessary for him to be close to the market in order to carry on his operations successfully. In fact, some of the most successful traders have operated at a considerable distance from the market. In many ways the out-of-town trader has many advantages over the one who is operating from his broker's office, surrounded by tickers, news slips, telephones, and other conveniences, in an atmosphere highly charged with conversation, free inside information, tips and propaganda.

When the trader is operating from a distance, he is apt to be more cautious, taking the position of a semi-investor against that of the ⅛-chaser, as many of the floor and office traders are called. He is more likely to favor the long-pull position, or the minor swing, instead of trying to follow the daily or hourly oscillations which are often confusing to the trader of short experience, who is stampeded time after time into a misinterpretation of the trend. The trader who does not see the little wiggles and speculative maneuvers on the tape, is not influenced by them, and is therefore not going to be injured by these phenomena, often designed for the very purpose of deceiving all but the veteran observer.

Advantages of Out-of-Town Trader

The out-of-town trader who operates on the long swings, basing his trades on a judicious combination of fundamental conditions, values, and technical position; who operates with a wide margin, and does not overtrade, is likely to make profits. He is away from the turmoil and excitement of the market, and apt to act on what he *knows*, rather than on what he *hears*. The false rumors and immature opinions that are so freely scattered about Wall Street are quite likely to lead the unseasoned trader into a habit of hopeless vacillation.

The analysis of a large number of traders' accounts indicates that long-distance traders are more uniformly successful than those who hang over the ticker or frequent the board-room. The chief reason for this is that the outside trader is inclined to make his own deductions after studying the necessary conditions, takes his position, and sticks to it until some new developments convince him that his position is no longer tenable, whereas the office trader may be easily intimidated into abandoning his position, on the theory that it is wiser to take a small loss than a big one. This theory of "cutting your losses short" is all very well in its place, but the timid novice who spends most of his time in taking small losses is not making much headway, and should pull out of the market until he can get his bearings, determine just what kind of market disease is undermining the health of his judgment, and take steps to remove the offending bacillus from his psychology.

The trader who is located in a small town where there is no wire service is able to keep posted by means of the quotations in his daily newspaper, and by reading the higher-grade financial publications which present available facts and figures with regard to corporations and listed securities, together with unprejudiced reviews of industrial conditions and developments. By the aid of such data, he can estimate whether he is in a period of advancing or declining prices, as these run in cycles of three to ten years, and can generally be discerned far in advance by those who scrutinize the business and financial horizon. Within these cycles are many intermediate swings that extend over weeks and months in one general direction, interrupted by the usual rallies and reactions. Such a trader will operate mostly on the more important and well-defined swings.

The secondary movements of the market may be followed by those who wish to trade more frequently. These movements run several points one way, and then several points in the opposite direction, extending over a period of a few days to several weeks. Such operations give the trader more "action," but at the same time involve greater risk and require more experienced judgment.

A trader who is convinced that the general trend of the market is to be upward for a year or more should avoid operating on the short side, but should patiently wait for the completion of the inevitable reaction and then make his purchases. This main tendency of the market should always be kept in view as it is unnecessary for a trader operating on the long side to take losses in reactions when the general trend is upward, and it is likewise foolish for the short seller operating in a declining market to allow himself to be frightened out of his position by a rally.

There is a characteristic difference between a reaction in a bull market and a decline in a bear market. The chief distinguishing feature is the relative position of the price level at the completion of each successive downward swing. In a bull market the supporting levels in the reactions are usually successively higher, whereas in a bear market each downward swing usually records a new low price.

The out-of-town trader should study the values of the stocks in which he desires to trade, as prices have a tendency to adjust themselves to these values. By following the trend of earnings, and appreciating that this trend is likely to be discounted by market action of the securities concerned, the trader will introduce a factor of safety into his operations. He can make the most money on the 10, 20 or 30-point swings in the market, waiting patiently for his buying or selling point, and avoiding the use of stop orders unless a limited movement against him is likely to shake the soundness of his position. He should favor the most active stocks, preferably dividend payers on the constructive side of the market because they supply their own carrying charges. If his orders stipulate the prices at which he is willing to buy or sell, and are usually entered "good until countermanded," he is free to attend to his other ventures, and if he is well margined he will have little cause for anxiety.

"If a trader has a clear understanding of the fundamental principles of trading and investing, it is not necessary for him to be close to the market in order to carry on his operations successfully."

Friend Promoters Use Good Psychology

No Time for Play for Hard-Working Promoters

A Few Examples of Some Remarkable "Investment" Opportunities Presented Guileless Investors

By WILLIAM H. BARBOUR

Of the Investors' Vigilance Committee, Inc.

BEAR, snakes and kindred hibernating quadrupeds and reptiles are still enjoying their long mid-winter naps. Even though some ambitious newspaper correspondent in Winsted or somewhere else may replenish his shrinking exchequer with a story about the harbingers of spring time, those who while away the winter days and nights are still in their caves, all stories to the contrary notwithstanding. Of course, this has nothing to do with the bears of Wall Street. But, it is not of quadrupeds and reptiles that we are writing; that is, not those who are still hiberating, but of two-legged animals and snakes in the grass who hibernate from some time early in December until after the New Year and then come forth to prey upon those who are susceptible to promised riches in mines, oil wells and a veritable hodge-podge of so-called industrial enterprises.

Good Psychologists

Slippery stock salesmen are pretty good students of psychology. Hence, they take their vacations at that time of the year when almost all mankind is thinking of Santa Claus and welcoming the New Year in accordance with his own idea of appropriateness. But, once the holidays become a matter of history and as soon as the average man my be expected to have readjusted his bank balance, the stock slicksters bloom again.

There appear to be a few propositions which at this particular time are a little more popular than others if the inquiries reaching the office of Investors' Vigilance Committee, Inc., from our subscribers mean anything.

Radio Stock

The American Radio Phonolamp Corporation, which has its office with Thomas & Company at 220 West Forty-second Street, New York, has been offering its stock in Pennsylvania. This corporation is a continuation of the Electric Phonograph Corporation, incorporated in Delaware in 1917, with a capitalization of $1,000,000 common stock and $250,000 preferred stock, and which claimed to own the patent rights of an electric phonograph lamp. The concern became involved in bankruptcy in the early part of 1922. The American Radio Phonolamp Corporation was incorporated in Delaware in September of that year with the same William Walter Thorpe as president. The new company is capitalized for $2,200,000. It is specializing, so it claims, in the manufacture and distribution of loud speakers. There is no dearth of radio equipment in the market, and, because of the keen competition and the fact that all patents of merit are controlled by the Radio Corporation of America, we look upon this proposition in the light of a gamble until the marketability of its products has been definitely fixed.

An Unattractive Speculation

Associated Pharmacists, Inc., present a more or less complicated picture. Incorporated in Delaware with a capitalization of $10,000,000, the company states that it is a manufacturing concern and has no salesmen or road representatives. Its selling agency is the Associated Pharmacists Sales Corporation and the publicity is handled by the Associated Members Organization. The best that we can unravel is that one of the operations is to solicit membership, another to sell stock, and a third to manufacture. The production plan is patterned after the American Druggists Syndicate. It is our opinion that this in an unattractive speculation.

DO YOU KNOW THE I.V.C.?

The I.V.C. (Investors Vigilance Committee) operates in co-operation with THE MAGAZINE OF WALL STREET *and with Chambers of Commerce throughout the country in stamping out frauds, fakes, swindles and bamboozlements in the stock-selling game. For the purpose of presenting regularly the work of the Committee, these pages are donated by The Magazine. While the statements herein are not guaranteed, they are based upon information which we believe to be accurate and reliable.—Editor.*

Residents of up-State towns are being generously offered an interest in Den-Wal Manufacturig Company, Inc., with "general offices and laboratories" according to its offering sheet at 8 Jefferson Street, Newark, N. J. With the rosy promises that a big market demand for the company's products—insecticide to rout moths and bugs—still fresh in our minds we went to Newark prepared to find a large and busy office force and a bustling factory. But we found instead the company occupying one floor and a basement in a small brick building. The stenographer would like to have more work to keep her from becoming so lonely. The factory force was out at the time and the young lady in the office did not know when he would return.

L. R. Steel Enterprises

Stockholders in the various L. R. Steel enterprises have been generously circularized to purchase shares in the L. R. Steel Stockholders' Protective Trust at $10 each and bearing 7% interest. Stockholders are asked to subscribe for the shares in an amount equal to at least 10 of the par value of stock owned and also to contribute at least $1 to what is called the loyalty fund. The affairs of the protective trust, which has its office in the Lincoln Building, Buffalo, are handled by a committee. It is proposed to raise a fund primarily to settle with creditors; secondly, to protect any valuable assets which otherwise might be liquidated at a sacrifice by the receivers, and thereby, in due course, the officers of the Trust hope to make possible a reorganization fair and equitable to all stockholders.

Thus far the Trust has succeeded in having the Receivership of one of the companies, Farm Produce Stores, raised. We have been asked by many of our subscribing members for details on the situation. One man may hesitate to draw three cards to a pair of deuces, while another would do that very thing. He who holds a pair of deuces and would draw three more is the same chap who would draw 10 in Trust shares to hold with his L. R. Steel stock.

The Sideline Bleaters

THERE are lots of unpleasant ways of describing financial activities of one sort and another. And the would-be cynics—those who delight in sneers and disparagements—are never so happy as when they are applying them.

* * *

For instance, you will hear INSURANCE spoken of sometimes as the "world's worst bet," for, say the cynics, "you have to die to win."

* * *

And sometimes you will hear SECURITIES—stocks and bonds—spoken of as things that are simply "made to sell"—the intended suggestion being that you are a sucker if you buy.

* * *

We can all afford to be a little spirited in meeting half-baked but harmful "criticisms" of this particular variety.

Nine times out of ten they merely reflect the resentment and sense of personal aggrievement of people who, lacking the spunk to PLAY THE GAME, are content to sit and bleat on the sidelines. Yet their influence is far-reaching and often destructive.

* * *

Securities *are* made to sell. Otherwise, why should they be offered for sale, how could they be sold and how could the funds be procured for corporation treasuries which these corporations need? And, aside from that, what is there in their being made to sell which renders them any less worthy of your consideration than the clothes you see in the store or the breakfast food that is set before you on the table? You don't mind how carefully your requirements are met, do you?

* * *

As for the Life Insurance bleat, "You have to die to win," a child should be able to answer that. Nobody—least of all one's self—"wins" anything if he dies. It is simply that the material trials and deprivations which must follow a bread-winner's death are alleviated and assuaged in the degree that life insurance is held. That, indeed, is all Life Insurance, in its basic form, is intended to accomplish. The fact that it *does* accomplish it is enough.

* * *

Don't let the failures and the weaklings and the incompetents lead you astray or deter you in your journey toward INDEPENDENCE with their caviling and their baa-ing and their sneers and distorted truths. Study until you have satisfied yourself what the real truth is and then, when these human flies gather around you and begin to buzz, feed them a little truth—for their puny souls' sake.

Happiness is for sale. The price is not unreasonable. Do the best work you can, don't spend all you earn, invest wisely whatever you can spare: That is all Happiness costs. Why not buy your share?

How I Would Solve These Insurance Problems

By Florence Provost Clarendon

MAIL YOUR VOTE TODAY!

Building Your Future Income is asking its readers for an expression of opinion on the following question:

"Should premiums on Life Insurance policies be deductible from taxable income?"

We believe they should be deductible, not only as a means of encouraging thrift, but also to do away with what, under present conditions, may constitute a double tax on individual incomes.

Let us have your views on this important subject. Write us today, addressing your letter to "Chat, c/o The Magazine of Wall Street, 42 Broadway, New York City."

THE PURE ENDOWMENT

What It Offers in the Way of an Old Age Pension

I am thirty-seven years of age. Will you kindly give me a description of the Pure Endowment form—also the names of some companies writing it—also the names of the more prominent companies writing Health and Accident insurance. I should be glad to make whatever remittance this service requires.—H. G. F., Newark, O.

The Pure Endowment, which is practically a deferred annuity, is an interesting variation of the Endowment plan and was mentioned in the article on "Endowments" in order to illustrate the flexibility of that form of insurance. It is an excellent savings plan for a man or woman with no dependents who wishes to provide for an income later in life when the earning capacity may have decreased or when it is pleasant to retire from active business life and live on the fruits of thrift.

The Pure Endowment, with no return of premiums in event of death prior to the maturity date, is not frequently written, although it is obtainable in a number of the "Old Line" life companies. It provides for an old age pension—or, if preferred, a lump sum at maturity—at a very low cost, payable only in the event that the insured survives the fixed period. The fact that there are no returns available under the policy (aside from possible dividends) unless the insured lives to attain the maturity date, makes it possible to issue the Pure Endowment at a much lower cost than is required for the usual Endowment policy.

We prefer not to give preferential advice regarding the well-known Old Line companies, but I have before me the rates of one well-known company of excellent reputation, and the premium rates for a contract such as you desire are as shown in the accompanying table. (I have also included the premium for a contract with return of premiums in event of death of the insured prior to the maturity of the Endowment.)

The Optional cash surrender value of this contract is $10,690 at age 60; $9,052 at age 65; and $7,470 at age 70, constituting a Pure Endowment paid in a lump sum at maturity.

The rates will give you an indication of the cost of such a contract which you can probably obtain from any of the well-known life insurance companies upon application.

The best-known companies writing accident and health insurance are probably those located in Hartford, Conn. The Aetna Life Insurance Company, the Travelers Insurance Co. and the Connecticut General Life Insurance Companies. This Department deals only with questions relating to *life* insurance, but you can obtain full information regarding the casualty insurance you desire by applying directly to the home office of any of the above-mentioned companies.

DON'T BE A "TWISTER"

Advice Given to Young Married Man Who Contemplates a Shift

I have been reading with great interest your articles dealing with insurance. I have concluded that my family, consisting of wife and two boys, is not amply protected. My age is 28. My salary is $2,500 per year. I do not own my own home but I am planning on buying next year.

At present I have a $1,000 20-Year Endowment Policy with the Metropolitan and $3,000 20-Payment Life with the Aetna Co.

I have been considering cashing in on my endowment and taking out a $4,000 policy with State Mutual of Worcester (my endowment has run for 8 years). The policy is Endowment at age 65 and costs $26.88 per thousand. This policy is worth $4,000 at the age of 56.

What I am after most is protection with minimum cost and possibilities of cashing in at the age of 55 or 60 for fair amounts.

Is this State Mutual a good, reliable company? Can you suggest a better policy?—R. E. F., West Springfield, Mass.

We note your proposed change from one good life insurance company to another by cashing in your Endowment policy and applying for another to take its place. This may always be considered a poor principle. You cannot make the change without loss to yourself and without gain to the agent who induces you to make the change. The practice is popularly called "twisting," and you should be most wary of any promises made by such an agent as to the future.

For example, you say in your letter that a $4,000 policy taken as an Endowment maturing at age 65 will be worth $4,000 at the age of 56. This statement must depend upon the dividend earnings in the future; and no one—agent or other—can foretell what the exact dividend distributions of a given company will be for so many years to come. We are sure that the insurance company that this agent represents would not look with favor on any such "twisting" program, nor would they give you a *guarantee* that the policy would be worth $4,000 at age 56.

I should advise you to retain in its present form such insurance as you now carry and increase your insurance by additional coverage. The Endowment at age 65 is a good form, and would provide protection for your old age in event that you receive the proceeds of the policy personally when the Endowment matures, also providing protection for dependents in the meanwhile.

TO PROVIDE $1,000 PER ANNUM

A Suggestion to "H. G. F." of Newark, Ohio, based upon the "Pure Endowment" Form

Age at Next Birthday	Pension to Be Payable at This Age	Without Return of Premiums Before Maturity	With Return of Premiums
38	60	$271.00	$326.50
	65	149.50	195.00
	70	77.50	113.00

"You Can Also Do *This* With $300!"

By RALPH RUSHMORE

"Yes—but What Can You Do with $300?" A story by the same writer in a previous issue of The Magazine struck so responsive a chord among readers it is believed the accompanying article, suggesting another avenue for the investment of small sums, may also be found helpful. Any practical co-operation Building Your Future Income can extend in connection with this or other articles is gladly offered.

I'M going to start off with the premise that not every Investor wants to buy Baby Bonds. I base this premise on the following: First, it does not necessarily follow that because a bond is issued in $100 ("Baby") form an investor will want to purchase it. The face value of a security is, of course, no evidence of its intrinsic value. Secondly, it often happens that the particular security an investor wishes to buy—for the various reasons an investor always has—may not be available in Baby form. Thirdly—despite the low-denomination appeal of Baby bonds—it does not always follow that the investor will have for investment exactly the sum required for a purchase.

With that as my premise, I'm going to ask the question which I believe a good many investors would like to ask. That question is: Is it necessary to buy Baby Bonds and buy them outright, in order to put small sums of money to work in the bond field?

And to that question, I'm going to say that the answer is a wholesome, resounding and emphatic NO!

If you wish to put money to work in the bond field; if you wish to put that money to work in a security that is not necessarily issued in Baby Bond form; if you wish to get a full return on your invested capital, no matter what it amounts to, the Baby Bond is not the only way out.

There is another way out—a way which, in the final analysis, may be quite as helpful and probably more appealing to the investor. It is a way whereby, under merely the most reasonable restrictions, you may become the owner of *any* listed corporation bond to which you aspire.

Would you know about it? *Read on!*

Another Way Out

The means by which you, or your brother or your friend, may, through the investment of sums of money no larger than you can manage to spare, become the owner of whatever high-grade bonds you aspire to is the same means by which many a middle-class home, sparsely furnished at the beginning, became fully furnished; the same means by which many a set of much-desired books was purchased; the same means by which a surprisingly large percentage of the automobiles now traveling over the roads were first acquired. You've guessed it: It's the Instalment Buying Plan, or the Partial Payment Plan, or the Co-Investment Plan or the Monthly Purchase Plan, or the plan which, by any one of a dozen other names, enables persons of slowly-growing means to possess the securities they want.

Now, just a moment: I am fully aware that this method of "making the public buy" was worked to death by the bucket shops not long ago. I fully realize that the sharpers and the swindlers and the frauds gave this method of buying securities a bad name in days not long gone by. I know you're suspicious of it on account of the sort of people that made so large a practice of it in the years 1914-1921, inclusive. I know all these things. But I also know something else.

The something else I know is that, with the gradual, then rapid, then almost complete eradication of the Bucket Shops this Instalment Buying Plan, which was always a sound idea, no matter how those financial jackals distorted it, has largely regained the high favor in which it once was held in Wall Street. And I also know that some of the most reputable and reliable houses in the Street are now offering its benefits to investors—offering it in a way which no growing investor can afford to overlook.

A Concrete Example

For instance (to make this little article concrete, and therefore practical) I can tell you of one house which has been in existence for many years, which is rated high by the credit agencies as well as by those who know the firm members personally (you see, I took the trouble to look them up) which is, in short, worthy of your fullest confidence, or mine: This house not only offers full facilities in the instalment buying plan (their name for it is the "Co-Investment Plan"), but also it stands ready, as I have taken the trouble to discover, to co-operate with you in the selection of your medium, sparing no effort to determine that you get the nearest thing to what you want that the bond market has to offer.

If I were on the lookout for a means of building my income; if I had decided to build it through Bond Investing—and I don't know any very much better way, especially for those who have years of earning power ahead of them—and if I weren't one of those lucky ones (I'm not!) who can stroll down to their bankers and say,

(*Please turn to page* 523)

HOW A $1,000 BOND WAS PURCHASED BY THE "CO-INVESTMENT WAY"*

A Record of An Individual Transaction Effected Through An Institution Offering This Service to Investors.

Bond Purchased: $1,000 Pennsylvania R. R. Gen'l 5s, 1968.
Purchase Price: $862.50.
Date of Purchase: March 18, 1921.

Date	Payments	Interest	Total Credits
Mar. 18	$200.00	.....	$200.00
Apr. 16	25.00	.....	225.00
May 4	65.50	.....	292.50
June 1	.....	$2.43	294.93
June 30	133.33	.....	428.26
July 15	50.00	.....	478.26
Aug. 23	25.00	.....	503.26
Sept. 1	10.00	.....	513.26
Sept. 30	133.33	.....	646.59
Oct. 12	100.00	.....	746.59
Nov. 15	75.00	.....	821.59
Dec. 1	.....	13.57	835.16
Dec. 20	.....	2.18	837.34
Dec. 20	27.80	.....	865.14

* This is one of the many names applied to what is fundamentally the Instalment Plan in security-buying. A full discussion of it will be found in the accompanying text.

How I Acquired an Income of $1,980 a Year

In Less than 17 Years on an Investment of $300 and a Couple of Cheap Bronx Lots

By S. A. NIES

SOMETHING more than twenty years ago I became interested in Building and Loan Associations with a view to creating a home for myself on a couple of lots I had bought at an auction sale in the Bronx. While debating the matter in my mind, an article in one of the newspapers which featured Building Loan news attracted by attention. It told the story of a Philadelphia postman who had acquired a comfortable competence by making use of the Building Loan Associations to advance the money which enabled him to buy at bargain prices properties he discovered for sale along his route. I immediately concluded that the scheme would work here as well as in Philadelphia, particularly in a certain section of Brooklyn where properties were cheap and where the prosperous factories established in the neighborhood furnished employment to an industrious population of plain working people.

The Property I started With

I had accumulated three hundred dollars in a Brooklyn Building and Loan Association, and soon found a property which suited my requirements for the experiment. It was a three-story and basement tenement, old but in fairly good condition. Three thousand eight hundred dollars purchased it. Of this sum I borrowed thirty-five hundred dollars in the Association, and my payments thereafter, until the cancellation of the loan nearly twelve years later, were thirty-five dollars per month. Half of these installments covered interest on the loan, the balance being placed to my credit at compound interest until the combined payments, the original three hundred dollars and the earned interest, equalled the sum of thirty-five hundred dollars, the borrowed amount.

The house rented for forty-four dollars per month, payments into the Building and Loan Association being thirty-five dollars, while the one hundred and eight dollars remaining paid repairs and taxes, the latter amounting at that time to about forty dollars per year. My losses through empty apartments were nil as the rents were low and the section underbuilt, a condition which kept them occupied at all times. But I have gone ahead of my story in order to illustrate the action of my plan.

Six months after my first investment the secretary of the Association called my attention to a property in the same section which had been built by one of its members, but which was not a success because two stores on the ground floor were not readily rentable in such a sparsely settled neighborhood. The Association had taken the property off the owner's hands, and, upon my submitting a plan to them for the alterations of the stores into apartments, a sum of five thousand eight hundred dollars was advanced to me and I became the owner of a second house. One thousand dollars of the amount advanced by the Association covered the cost of alterations, and my two Bronx lots were accepted as security to furnish the necessary equity. A condition imposed by me called for the release of these lots as soon as I had paid two thousand dollars into the Association.

My Payments on the Loan

My payments on this loan were fifty-eight dollars per month, while the rentals were sixty-nine dollars for the same period. A balance of one hundred and thirty-two dollars a year cleared the taxes and left forty-two dollars to defray repair costs. No heat was furnished, the house was new and I had little expense for repairs for a number of years. This house also earned its own costs and cleared the mortgage about five years after the first. Five years after the second purchase I received a substantial offer for the lots which had improved in value with the extension of elevated roads into the Bronx. Having paid off more than the sum of two thousand dollars on the second house, I applied to the Association, had the mortgage released and sold the lots.

After this it was comparatively easy matter to purchase the third property, a three-story front and two-story rear house in the same neighborhood. Forty-eight hundred dollars secured these buildings, a cash payment of one thousand and fifty dollars and a Building and Loan mortgage for three thousand seven hundred and fifty dollars for the balance being required. My monthly payments were thirty-seven dollars and fifty cents, while the rentals were fifty dollars. The plan figured out about as follows:

Yearly rental	$612.00
Building Loan monthly payments	$330.00
Interest on $1,000 at 6%	60.30
Taxes	118.25
Water rate	12.00
Insurance	12.00
Repairs	100.00
	$632.85

In course of time this last purchase worked off its mortgage like the other two, and when all was cleared my income was as follows:

Rental of first purchase	$ 540.00
Rental of second purchase	828.00
Rental of third purchase	612.00
	$1,980.00

It will be noticed in this article that no mention is made of vacancies. Of course, there were some but they were negligible as the section was underbuilt and living quarters were consequently in demand, particularly as factories in the neighborhood were busy and paid good wages. Also, it gives me pleasure to report that in only two instances that I recall was money lost through non-payment of rents, the tenants usually having the money ready on the specified date.

Might Have Continued Indefinitely

I might have continued the plan indefinitely, but other investments diverted my attention, and I feel that I am too old now to start again. However, that this account is absolutely according to the facts will be attested to gladly by the Building Association which aided me.

Building Your Future Income is dedicated to the proposition that all men—and women—can become financially independent who start early enough, work hard enough and make judicious use of the opportunities that surround them.

"Chat" Hits the Nail on the Head!

Plea for Tax-Deduction of Life Insurance Premiums Wins Approval of Magazine Readers

By A Looker-On

THE theory that Life Insurance premiums should be deductible from taxable income—which was advanced in the last issue of The Magazine—seems to meet very general approval.

Letters from a number of readers with regard to this theory have been received; and, so far, they are unanimously in favor of it.

The reasoning back of this theory would seem plain enough to appeal to all. In the first place, the present system, under which such premiums are not deductible, puts what amounts to a premium upon waste and un-thrift; for, in no little measure, it discourages the creation of insurance estates. In the second place, it acts as a factor in preventing the reduction of insurance premium. In the third place—and this is merely the outgrowth of the other two—it serves, in some measure, to counteract the magnificent influence life insurance exerts toward reducing dependency and destitution.

New York City, N. Y.
January 6, 1924.
Chat, c/o The Magazine of Wall Street,
42 Broadway, N. Y. City.

Dear Sir:

I believe Life Insurance Premiums should be deductible from income taxable by the Federal and State Governments.

Very truly yours,
John C. Klein.

Any movement—and especially one with so ambitious an objective as the revision of a country's tax laws—must rely for its success upon the number of supporters it can enlist. This movement of ours—championing a revision of the tax-laws to make life insurance premiums deductible from taxable income—can be made at all effective only if the great body of our readers express their views upon it. Therefore we repeat the invitation extended in our last issue:

Let those who have views, or care to formulate views, on the subject set them down on paper and address them to "Chat, c/o The Magazine of Wall Street, 42 Broadway, New York City." If you think it is enough to merely state your opinion, it will be perfectly satisfactory to have you do just that—merely saying "I believe Life Premiums should (or should not) be deductible from taxable income," or something of the kind.

Three of the letters received since our first invitation was extended are reproduced on this page. If we could get three thousand other letters like them, a little constructive pressure might be applied where it would do the most good. Let us have your letter today!

Speaking of letters, we have been shown some very impressive testimonials received by the editor with regard to the usefulness of the publication in which this page appears. One which we liked particularly well bore the address of the Fifty-third General Assembly of the State of Illinois, being signed by the Hon. Daniel Webster, who is Chairman of the Committee on Criminal Procedure and prominent in many other of the important activities of his legislature. It reads, in part:

"I have been a subscriber now for about two and a half years, and I have found that it (The Magazine of Wall Street) has been very beneficial. . . .

"It is my opinion that every man and woman over the age of sixteen should be a subscriber to your publication. It certainly cannot do them any harm and is bound to educate them on various financial problems which would make them better citizens and more capable of understanding the financial problems of the nation.

"(Signed) Daniel Webster."

Cleveland, Ohio.
January 7, 1924.
Chat, c/o The Magazine of Wall Street,
42 Broadway, New York City.

Gentlemen:

Your article relating to the movement to permit life insurance premiums to be deducted from taxable income for the purpose of Federal Income Tax procedure is timely and I am heartily in favor of an amendment looking to this end.

It is ridiculous to burden the man or woman who is seeking to protect dependents from want in order to meet the demands of an extravagant and wasteful Congress for funds for further excesses. The individual is compelled to live within his means, and public spending should be upon the same principle.

I thank you for the publicity which you are giving to this question.

Yours very truly,
Frank B. Evarts.

Hartford, Conn.
January 8, 1924.
Chat, c/o The Magazine of Wall Street,
42 Broadway, New York City.

Dear Chat:

My reason for favoring the deduction of life insurance premiums from taxable income is brief: The Government permits me to deduct from my taxable income sums (up to 15 per cent of my income) which I donate to charities. Why then should it not allow me to deduct the insurance premiums, which in case of my death will serve instead of charity for my family?

At present, it seems to me, that the government puts a premium on relieving poverty which already exists by permitting donations for such purposes to be deducted. But, it places a barrier in front of preventing poverty—by taxing life insurance premiums.

Yours sincerely,
Longshaw K. Pointt.

Points for Income Builders

Definitions and Explanations of Some Frequently-Heard Financial Terms

WHEN a corporation elects to do some new financing through the medium of a stock issue, it has two obstacles to overcome. First, it is under the necessity of meeting the great competition for funds which always exists. Secondly, it must overcome any natural antagonism its existing stockholders might feel toward a financing operation which might tend to "thin out" the equities these stockholders at present enjoy.

A popular way of overcoming both these obstacles is that of issuing the new stock on a basis whereunder existing stockholders find it profitable to subscribe to it. For, as is readily apparent, this way of performing the financing at once renders the new issue peculiarly attractive (as compared with the innumerable other security-offerings that are always pressing for sale); furthermore, by reason of the profit put within their reach, this way overcomes any prejudice against the new financing which existing stockholders might otherwise entertain.

"Rights to Subscribe"

"Rights to subscribe" to the new issue in the case of new stock financing by a corporation are the *special privileges* referred to above which are offered stockholders for the sake of the purposes described.

In a few words, "rights" generally consist of the privilege, legally accorded to existing stockholders, to subscribe to a new issue at a Special Price; and to insure a profit (where possible) this Special Price is made lower than the existing price for the old shares on the market.

Thus, let us suppose that the X Corporation, whose common stock is selling on the exchange at $106 per share, decides to finance itself through the means of a new stock issue. Let us suppose, further, that it wishes to accomplish the objectives described above and that it determines to accomplish them by means of offering special "rights." It will then offer the new shares to existing stockholders at a price lower than that prevailing for the existing stock on the Stock Exchange.

Figuring the Value of Rights

Manifestly, the ratio of profit an existing stockholder will derive from an offering of "rights" will depend on three factors, viz.: (1) The price of the existing stock. (2) The price at which subscriptions to the new stock are authorized. (3) The number of new shares which the holder of a given number of old shares is permitted to subscribe to.

There are two ways of doing the figuring involved. One is the long, "common-sense" way; the other is by means of a simple formula. Here is the "long" way:

Suppose the corporation's existing stock is selling at 106. Suppose it offers holders the right to subscribe to the new offering in the ratio of 1 new share for every 5 old. Suppose the price at which subscriptions are permitted is 100:

Take the cost of 100 *shares of present stock* (106)	$10,600
Add the amount to be paid for the new allotment of stock (20 *shares at* $100)	2,000
Total	$12,600
Divide this total cost by the number of shares this will give you altogether (120) *and you have the per share value of your increased holding*	$105.00
Deduct this from the present price of the stock ($106) *and you have the present value of the "rights".*	1.00

That is the "long way." Here is the short way:

Divide the difference between the Market Price and the Cost Price of a new share by one more than the number of Rights required.

Thus, in our example above, the Market Price is 106; the Cost Price of a new share is 100; the difference between the two is 6. The Number of Rights Required to purchase 1 new share is 5, and this increased by one is 6. The division shows the value of the "right" to be $6 \div 6 = \$1.00$.

Depreciation and Depletion

Income builders who take time to examine the reports of the companies in which they are interested will note that, in most income accounts, a deduction is made on account of "Depreciation and Depletion" before final reckoning is cast of earnings on the outstanding securities."

The terms "depreciation and depletion" may have a rather formidable sound; but their meaning and application are actually very simple. "Depreciation" means an allowance—a reserve fund—set aside by the management of a company to compensate for wear and tear on its buildings, machinery and other physical assets; "depletion" is a similar allowance set aside to compensate for any decline in the value of such assets.

For an analogy of the term "depreciation," take the man who buys a new automobile, for which he pays $1,200, and who runs that car for two years. Obviously, after the two years are up, the car will be considerably run down, and its selling value will be considerably below its original cost. Were an automobile owner, then, to figure out just what the prospective wear and tear on his car over a given period would be, were he to build up during the period a fund to correspond to that wear and tear, he would simply be taking "depreciation" into account, just as corporations do.

YOU CAN ALSO DO THIS WITH $300

(*Continued from page* 520)

"Buy me ten thousand Union Pacific Fives at the market. I'll send the check in the morning." In short, if I wanted to get ahead through the medium of bonds BUT HAD TO CONTENT MYSELF WITH GETTING AHEAD SLOWLY, I should most certainly resort to the co-investment way.

The Record of One Instalment Purchase

From the record books of the house I am referring to, I have copied a "history" of one of the clients of this particular house, in respect of one of his transactions. Just how this man purchased a $1,000 Pennsylvania bond I show in the accompanying table. Note that the first payment he was required to make was only 20% of the face value of the bond; note that subsequent payments were extremely irregular—made, obviously, as he found it possible to make them; note how the interest from his Five Per Center helped pay for the bond (being credited to his account) as the purchase proceeded; note, too, that this particular bond, which he bought at 86¼ in 1921, is worth 100 today.

If there's anything easier to comprehend—easier to execute—fairer to the buyer than this, I'd like to know of it. It strikes me as an idea that should appeal to more investors even than that Baby Bond idea. That's why I selected it as a subject to write about.

Public Utilities

Southern California Edison Co.

One of the Utility World's Prominent Successes

How Southern California Edison Has Forged Ahead — Its Present Position

A REALLY sensational development of recent years has been the expansion which has occurred in public utility operations throughout the United States.

The companies manufacturing our gas and electric light; the giant corporation which supplies our telephone service; the many organizations concerned in the transformation of natural energy into electric power: practically all the corporations in this very broad field have, in the last decade, extended the scope of their operations, the volume of their output, their capital and total earning power to a degree that must be called little short of remarkable.

Nowhere has public utility expansion been more pronounced than on the Pacific Coast. Pacific Gas & Electric and the Southern California Edison Company, the two outstanding leaders in this great section, have forged ahead on a scale that would have seemed preposterous to predict ten years ago.

Southern California Edison's Growth

Southern California Edison, for example, has more than quadrupled the dollar volume of its sales since 1913. The records show gross income for this company for the year to December 1st, 1922, of nearly 17 millions of dollars—in contrast with a gross of 4.7 millions—in 1913.

The underlying factor in the growth of the California utility has, of course, been the growth of the communities served and the great concentration of industry resulting. In the ten years 1900-10 rate of population increase in California was 60%. In the succeeding decade, the rate of increase was over 44%. Together with this great increase in population there has, of course, occurred a similar increase in industrial operations, and California is now credited with a greater output of manufactured goods than all other Mountain and Pacific Coast states combined.

As might be assumed, the phenomenally rapid development of California, and, resultantly, of the Southern California Co., in the past largely operated against any normal development of the corporation's finances; that is to say, drastic extensions of operations were periodically forced, and, while they widened the corporation's opportunity they also increased the load it carried. This is illustrated in the accompanying table, where for a period of 5 years to and including 1921, the corporation's current financial position was characterized by an excess of current liabilities over assets. It is also illustrated by the large increase in capital indebtedness which increased from 16.7 millions in 1916 to 55 millions in 1920 and today exceeds 101 millions of dollars.

The distinguishing feature of public utility expansion, i.e., that an increased capital investment in plant extension is almost certainly productive of increased earnings—a feature often referred to in connection with the expansion of the American Telephone & Telegraph Co.—has operated in Southern California Edison's favor in the years of its rapid growth. Again referring to the table, we find that against an increase in funded debt, 1916 to 1922 of 340%, gross earnings have increased by 240%. Thus, the enlargement of the company's operations has been more than justified by the enlargement of its earning power.

AN ANALYSIS OF SOUTHERN CALIFORNIA EDISON'S RECORD
(In Millions of Dollars)

Year	Working Capital	Funded Debt	Gross Income	Exp-nses in % of Gross	Times Interest Earned	Net Income	Earned Per Share of Common
1913......	...	...	4.8	50.8%	2.03	0.8	$6.73
1914......	...	...	4.8	48.0	1.97	0.8	5.99
1915......	...	...	4.9	45.0	1.94	0.9	6.57
1916......	1.5	16.7	5.0	44.3	2.14	1.1	6.97
1917......	‡0.8	43.2	6.8	35.7	1.79	1.5	8.01
1918......	‡1.4	42.6	8.7	38.3	1.66	1.5	7.43
1919......	‡2.1	39.8	10.6	42.4	1.64	1.9	7.17
1920......	‡8.1	55.0	14.6	44.0	1.97	3.0	10.80
1921......	‡0.4	66.0	16.6	42.0	1.87	3.4	10.49
1922......	1.0	74.6	16.9	40.0	2.18	4.5	9.84
1923...... (11 mos.)	*	101.3	20.2	*	*	8.2	†11.00

* Figures not available. † Estimated. ‡ Surplus of current liabilities.

A Well-Managed Corporation

Fortunately, too, the corporation's affairs have been well managed. Our table shows that from 1913 down to as late as 1917, expenses were successively reduced from year to year; it also shows that there was very little ground lost in the struggle toward increased efficiency even in the high-cost years of 1918, 1919 and 1920. Interest charges have been covered in the 11 years to and including 1922 never less than 1.64 times; and in 1922 the showing in this respect was the best in that part of the company's history with which we have dwelt.

Altogether, Southern California Edison, as a corporation sharing in the phenomenal growth of a great and rich territory and one whose management appears to be in astute hands, seems to deserve the fullest confidence.

At the present time, its outstanding capital structure includes $101,000,000 of bonds, $4,000,000 of "original" 5% preferred, $9,229,300 7% Pfd. ("A") and $50,834,300 common.

The company's stock has received regular dividends in the past. The rate on the common was increased from 5% to 6% in 1914, to 6¼% in 1916, to 7% in 1917 and to 8% in 1921. The 8% rate now prevails.

Due to the manner in which the corporation has developed, its capital structure has become exceedingly complex and difficult of analysis in the brief space here available. However, steps are being taken

toward its simplification—the same steps which, it is hoped, will eventually result in the retirement of all the present outstanding debt.

Meanwhile, Southern California Edison common is selling in the outside market at 103, offering a yield of close to 7.75% on the investment.

Had the corporation yet reached its potential growth this might not seem a particularly "cheap" level. But with the prospects for further growth what they are, and considering the corporation's history and the demonstrated ability of its rearrangement, the security seems very strongly bulwarked and attractive for investment at these levels.

Commonwealth Power Co.

Commonwealth 6s of '47 Attractive

An Investment Issue Surrounded With Substantial Safeguards—The Corporation's Growth

COMMONWEALTH POWER is another of the numerous public utility organizations which have made great forward strides in recent years.

This corporation serves a very large territory, including many of the principal cities of Michigan, Illinois, Indiana and Ohio. The growth of its field is instanced by the growth in population of the field during the 30 years from 1899 to 1920 wherein the successive decades saw total population rise from 500,100 to 626,400, to 807,800, and, in 1920, to 1,150,000—an increase for the whole period of 130%.

Output and sales of the company have increased through the years in similarly impressive fashion. In 1913, kilowatt hours of electricity sold totaled 193 millions; in 1916, sales were 315 millions; in 1919, 475 millions; and in 1922 they totaled 491 millions. Gas sales in 1913 were 1.0 billions of cubic feet; in 1916 they totaled 2.4 billions; in 1919, 3.3 billions, and in 1922, 3.8 billions. Increase in electric and gas meters in use is tabulated in the following:

	Meters in Use	
	Electric	*Gas*
1913	74,000	73,000
1916	112,000	85,000
1919	151,000	98,000
1922	214,000	111,000

The corporation, in its present form, succeeded to the Commonwealth Power Railway & Light Co. in May, 1922. An aggressive policy pursued in the succeeding months, coupled with active business conditions, has enabled it to maintain the uptrend in the volume of business handled. Thus, sales of electric power for the first 8 months of 1923 totaled 402 million K.W.H., or an increase of 30% over the corresponding period of 1922, and for the full year 1923 a record business in all departments was doubtless attained.

Commonwealth's capital structure is composed of $24,000,000 6% preferred stock, 180,000 shares of no par value common (all owned by the Commonwealth Power Railway & Light Co.), and a funded debt, including bonds of subsidiary companies, of about 80 millions.

The company's chief bond issue, from all view-points, is the issue of $12,500,000 Commonwealth Power 6s of 1947, outstanding in the sum of slightly more than $12,000,000.

This issue sells currently on the New York Stock Exchange at about 87½, contrasting with a high this year of 89 and a low of 84. At the present price it offers a yield of about 7.15%.

These bonds are senior security of the company. Sinking fund provisions surrounding them provide for $250,000 annually up to 1937 and $300,000 annually thereafter to maturity. Thus, more than half the issue will have been retired by maturity, while the position of the outstanding bonds must constantly improve as their equity increases.

The 6s are a direct obligation of the company, and are secured by the deposit of $5,238,500 preferred and $28,304,300 common stocks of operating subsidiaries of the company. The total par value of stocks so pledged is $33,542,800, or 275% of the amount of the issue. These subsidiaries include several highly successful utility corporations, including the Consumers' Power, Central Illinois Light, Illinois Power, Southern Indiana Gas and Electric and Springfield Light & Power. The indenture provides that the collateral pledged cannot be substituted, that none of the stocks may be disposed of except for cash and that this must be applied toward retirement of the bonds.

Earnings of the corporation are far in excess of interest requirements on the 6% bonds. In fact, for the 12 months to November 30th, last (the latest available figures), Gross Income was 11.5 millions and balance available for depreciation of subsidiaries and interest on the 6s about 6.5 millions, or some 8.6 times interest requirements.

The 6% bonds thus appear remarkably well secured and entitled to a high rating. They are backed by a property which has been maintained at a very high point, are secured by pledge of liberal collateral, as outlined above, and, in addition, offer a comparatively high income return. They may be confidently recommended for investment at current levels.

Commonwealth Power's 6% cumulative preferred stock is available in the unlisted market around 70 per share. It is a cumulative issue, and, at current levels, offers a return of more than 8.50% on the investment. There are 240,000 shares of this stock in the hands of the public. Earnings for the 12 months to November 30, last, after depreciation, were equivalent to $13.94 per share. **This preferred is a sound issue, and, on the current yield basis, is substantially attractive to investors.**

The common shares of the Commonwealth Power Corporation, as said above, are held entirely by the Commonwealth Power, Railway & Light Corporation, which latter has an exactly similar number of common shares outstanding, junior to a small indebtedness.

In these common shares of the Railway company there is believed to exist a substantial speculative opportunity at current levels, despite the fact that the price has advanced from 24, last August, to recent levels around 47. Earnings available for the issue, largely resulting from the operations of the Power Corporation, are running in the neighborhood of $10 per share; but if developments now pending are consummated — which is more than likely—the Railway company's security holders will share in sources of revenue that will be substantially amplified in the not-far-distant future.

Croton Dam, Muskegon River—Commonwealth Power System

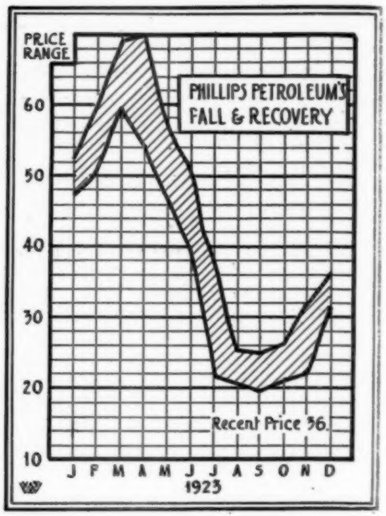
Petroleum

Phillips Petroleum Co.

Phillips Petroleum Shows Much Vitality

Earnings Last Year Better Than in 1922—Stock Entitled to Revised Rating

By J. F. FIELDING



ANY oil company which went through the 1923 oil depression in good order is eligible to be considered as a candidate for the ranks of seasoned oil concerns, other things being equal. Not that the passing through 1923 alone entitles an oil company to be regarded as an "old liner," but it certainly speaks something for the vitality of a concern and the efficacy of its management.

Phillips Petroleum survived the severe test of last year without untoward incident, though its stock declined sharply as did the stocks of all the oils. Notwithstanding this company promises to report earnings which, in view of the tremendously depressed position of the oil industry during the second half of 1923, must be regarded as nothing short of remarkable.

The 1923 Showing Compared

According to President Frank Phillips, the company which bears his name earned for the ten months ended October 31, last, and before depreciation and depletion, $9,285,647. It is not unreasonable, then, to expect the year as a whole to show between $10,000,000 and $11,000,000 before depreciation. The following table shows how 1923 earnings compare with previous years:

Operating Income Before Depreciation and Depletion

1919	$1,727,654
1920	6,232,150
1921	3,947,933
1922	9,200,035
1923 (ten months)	9,285,647

In short, Phillips Petroleum made a better showing in ten months of a bad oil year than it made for the entire preceding twelve months of 1922 which was a good oil year. The ten months' earnings were arrived at after deducting more than $3,000,000 for inventory adjustment, bringing the company's inventory down to present market prices or below. It was stated that this $3,000,000 was not realized losses and since refined and crude prices are regarded as being on a rock bottom basis since in many instances they are below the average of production costs, it would appear that Phillips has a good chance by the time it is ready to market its stored oil, of writing the $3,000,000 and perhaps more back into profits.

Phillips does not follow the policy of buying cheap oil in panic times like the Standard Oil companies, but fills its storage tanks from its own production. According to the last reports, the company had approximately 5,000,000 barrels of its own oil in its own tanks with considerable capacity for still further accumulations if that step were necessary.

Ready for the Rise

In other words, the company has been able to finance itself in the oil depression without "dumping" on the market at panic prices. If the Spring demand for petroleum products results in better prices which it will, provided some new and as yet unknown oil field is not born to again demoralize the market, Phillips Petroleum is in a very interesting position in reference to the profits which it may expect to realize from the sale of its stored oil.

This company was organized in June of 1917 to take over the oil interests of Frank and L. E. Phillips. Its holdings consists of fee lands and leases in Oklahoma, Texas, Kansas, Louisiana, Kentucky and Arkansas. In the state of Oklahoma, the company has seven gasoline plants and the company's total daily gasoline productive capacity is about 125,000 gallons. Eventually the company will have a gasoline production capacity of about 50,000,000 gallons annually. Phillips Petroleum owns 375,000 net acres of leases, exclusive of partners as compared with about 100,000 acres in 1922.

Inasmuch as the earnings of Phillips increased in 1923, although prices showed great declines, the answer must be that the company greatly increased its output.

A MAGNIFICENT BUT COSTLY SPECTACLE

In spite of elaborate precautions taken by the oil producers last year and this, there were scores of oil-well fires like the one shown

A large part of the Phillips oil comes from the Burbank pool in Oklahoma which is the best producing field in the state, not only from the viewpoint of initial production but also from the viewpoint of life of the wells. Wells in the Burbank pool hold up better than the wells of any similar size in the country. Leases in this territory are regarded as being as valuable as any leases in the oil industry.

Financial Position

Phillips has an outstanding funded indebtedness of $3,267,000 7½% debentures due October 31, 1921. An unusual feature of the debentures is that each $1,000 bond carries a detachable warrant entitling the holder to purchase ten shares of stock at 33⅓ a share for two years and one share less for each succeeding year until maturity. The first two years expired on October 31, last. In addition there are $170,000 equipment trust 6s due quarterly until April 15, 1926.

There is no preferred stock. The capital stock consists of an authorized issue of 2,000,000 shares, no par value, of which 1,184,427 shares are outstanding. In 1920 the company paid a 100% stock dividend and a 50% stock dividend last year. The stock pays $2 per annum and it is expected that 1923 will report the dividend more than twice earned.

At the time of the last annual statement, the company showed a working capital of approximately $2,740,000. Of its quick assets totaling $7,637,000, approximately $1,422,000 was in the form of cash. The company has strong banking connections, Mr. Frank Phillips, the president, having been a successful banker before he became interested in oil. Reports that the company is contemplating new financing have been officially denied.

Conclusion

Phillips Petroleum was listed on the New York Stock Exchange in 1920. Being a newcomer and a company engaged in a highly variable industry—the oil business—we have heretofore regarded the issue with ultra-conservatism. In view of the intelligence with which the company's affairs have been conducted, its strength shown in a bad oil year and its present large earnings, we believe the issue is entitled to a higher rating than it has heretofore been accorded. **In a recovery of the oil industry which seems to be in prospect, Phillips Petroleum would appear to have considerable possibilities from the viewpoint of enhancement in value.**

Can Texas Pacific Coal and Oil Come Back?

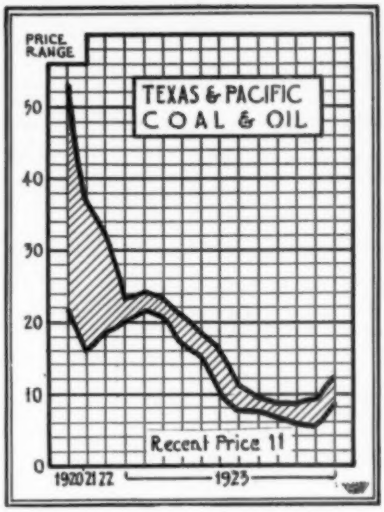
1923 an Unsatisfactory Year — Why it Was Necessary to Pass the Dividend—Its Prospects and Outlook for Its Stock

THE year 1923 was one of sorrow for the stockholders of the Texas & Pacific Coal & Oil Co. Not only did the stock make a low record of 5½ per share, but the directors met and passed the dividend on August 29th. Earnings for the first six months of the year, after depreciation and depletion, showed a scant $68,000, round figures, after dividend disbursements. Since the first six months of the year included three months of very satisfactory crude oil prices—the long decline starting about the middle of April—it goes without saying that, had the company continued its 10% dividend, the year as a whole would have shown a considerable deficit.

Daddy of the Oil Boom

This company may well be termed the daddy of the great oil boom of 1918-19, for it was Texas & Pacific's Ranger well born October 17, 1917, which proved the great Ranger field and set the oil world aflame. Those who live by the sword must die by the sword says the old adage, and, as Texas & Pacific was metamorphosed from a staid, old-line coal company into a booming oil producer by Ranger's development, it is but reasonable that with the decline of Ranger's greatness the fortunes of Texas & Pacific Coal & Oil should decline correspondingly. The tabulation shows the company's coal and oil production since it became an oil company.

From the foregoing it would seem that the company's production has shown only a slight declining tendency during the last three years. The real causes for the unsatisfactory 1923 showing are first the decline in crude oil prices, secondly the very great operating costs of the deep wells which the company owns, and lastly the necessity for large depreciation and depletion charges. Last year, North Texas crude prices dropped from the high of $2 a bbl. in April to below $1.10 in November. As it costs as much to produce crude at low prices as at high, it is at once apparent what the drop meant to the company's output for the year of between 5,000,000 and 6,000,000 bbls. It may be said that Texas & Pacific has not dodged the matter of depletion and depreciation. In the last four years under the entry of "depreciation, non-productive labor and expense of oil and gas development" it



has charged off nearly $30,000,000. In the first six months of the current year it charged $1,269,050 against earnings for depreciation, depletion and amortization. There is, of course, the tax angle to the matter, but a natural impulse, in the case of declining earnings, is not to take depletion and depreciation too seriously.

The Prospects

That the great days of the north Texas fields which, in a manner of speaking, were in Texas & Pacific's back yard and in which it chiefly operates, are over, seems to be generally acknowledged. But that does not mean that the end of the Texas & Pacific Coal & Oil as an oil producer is in sight. The company owns a lot of property and has interests in a lot of property which undoubtedly contains a lot of oil. So that even sticking to its present sphere of operations, it should remain an important oil producer for some time to come. The management has made efforts to extend the company's activities into the Montana, Oklahoma and Arkansas fields but without the measure of success which had been hoped for. What Texas Coal & Oil really needs to enable it to resume dividends is a strong come-back in crude oil prices. Fortunately there are good prospects for such an eventuality during the current year, and in anticipation the stock has shown a substantial recovery from its low of 1923. **Hardening oil prices would undoubtedly mean higher prices for the issue but there are other oil stocks with more promising futures which we prefer to Texas Pacific Coal & Oil.**

PRODUCTION OF TEXAS & PACIFIC COAL AND OIL

	Coal (tons)			Oil (bbls.)
1915	724,798			56,000
1916	609,684			153,072
1917	674,956			428,996
1918	597,017			2,427,704
1919	396,853			3,478,236
1920	221,309	Own production	1,818,049	5,637,757
		Associated properties	3,819,708	
1922	not reported	Own production	1,968,998	6,155,020
		Associated properties	4,186,022	
1921	not reported	Own production	1,702,931	5,277,560
		Associated properties	3,574,629	

Mining

Copper the Laggard Among Non-Ferrous Metals

Recovery from Post-War Depression—Lead, Tin and Zinc in Strong Positions—Why Copper Is Logy—The 1924 Metal Outlook

By HENRY P. FELTON

IN a year marked by great industrial activity accompanied with an unprecedented flood of regular and extra dividends, the metal stocks have fared poorly. To be sure, their position has improved over that of the two preceding years, taken as a whole, but their earnings have been only passable and their securities inactive. Why have the metal-producing companies not reflected in a greater degree the general prosperity of this country?

There are several answers to the question. The first and most important is that the metals have not yet recovered from their war debauch. Nor is their class the only one still suffering from an after-war headache.

The outbreak of the Great War produced a situation never before known in metal history. Being basic commodities, the demand for non-ferrous metals leaped overnight to undreamed-of proportions. Copper, tin, lead, spelter and the hundreds of minor metals were in great demand by Europe for munition and other purposes connected with the war, and the United States was the main source of supply.

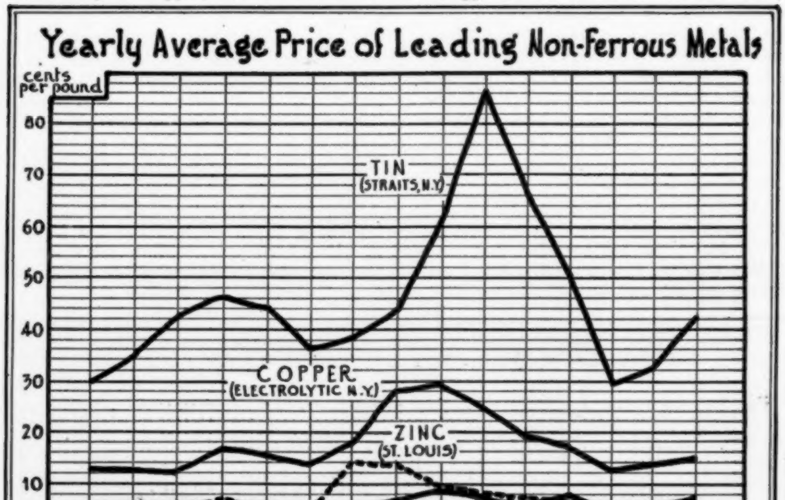
Increased Production

Electrolytic copper, which made its twenty-year low record price of 11.10c. a lb. in 1914, made a high of 37c. a lb. in 1917. Lead's lowest price of 2.67c. a lb. was registered in 1896, and the low in 1914 was 3½c. In 1917, it made its twenty-year high record of 12¼c. a lb. Tin, that most mercurial of all basic commercial metals, made its twenty-year low of 12.62c. a lb. in the same year that lead made its low. In 1914, it sold down as low as 28½c. a lb., and in 1918 made a high record of $1.10. Zinc, or spelter as it is known in the trade, touched its twenty-year low of 3.10c. a lb. in 1895, and its high of 27½c. in 1915.

It should be remembered that there is considerable speculation in the four metals mentioned, and that their prices, therefore, do not always reflect the true reactions of demand and supply. Tin, in particular, is largely traded in on the London Metal Exchange somewhat the way cotton is traded in on the Cotton Exchange in this country.

Hard Row for Copper

The graph which accompanies this article shows the average yearly prices for copper, lead, tin and zinc for the last fifteen years. During 1914, the average price for copper was 13.3c. a lb. At that time, the normal average price was considered to be 14c. a lb. At that figure, well organized and soundly managed companies could show substantial profits. The outbreak of the war turned the copper world topsy-turvy and upset all calculations of costs and selling prices. It will be seen from the graph that the industry enjoyed six years of unexampled prosperity extending two years beyond the end of the war.



In 1921, latent adverse factors began to get in their influence, and, in conjunction with the general slump in business, resulted in a very bad year for the copper producers. It was then that the drastic policy of curtailment by leading producers was decided upon which enabled the industry to slowly recover from the stunning blow it had been dealt.

The four factors which contributed most to the collapse in copper metal prices in 1921 were (1) decrease in domestic demand, (2) falling off in foreign demand, (3) accumulated war stocks of copper, and (4) overproduction of copper.

Perhaps the most important of these is the factor of overproduction. As was natural, the tremendous war demand stimulated big and little producers to turn out the utmost pound of red metal and to bend their efforts to increasing the capacity of smelteries and refineries. Mines which had been closed down for years were reopened and properties put into production which, it had been thought, could never be profitably operated. Then the big South American properties, notably Chile Copper, with their enormous ore bodies, began to hit their production stride and the result was that, when the war stopped and the abnormal demand ceased, there was an output which the natural growth of consumption was inadequate to absorb.

The pent-up domestic demand and the fact that the belligerent nations were slow to to rid themselves of their enormous stocks of red metal, enabled the industry to proceed on even keel for two years after the war. Then came the deluge.

The improvement from 1921 has been slow. Price for the metal in 1922 averaged nearly a cent a lb. better than in 1921, and last year almost a cent a lb. more than 1922.

The improvement noted in copper metal prices during the first half of the current year, however, has not been maintained. In the first seven months of 1923, the average price for electrolytic was nearly 15½c. a lb. In the last five months, the average price was only 13c. a lb., and, although the average for the year is 14.3c., the producers regard the year as a whole as but a passable one.

The extent to which copper production in this country and the world has increased during the last fifteen years, and also the effect of curtailment is shown in the following table.

	United States (In millions)	*World* (In thousd's)
1909	1,093 lbs.	836 long tons
1910	1,080 "	861 " "
1911	1,097 "	878 " "
1912	1,243 "	982 " "
1913	1,224 "	955 " "
1914	1,150 "	989 " "
1915	1,388 "	1,044 " "
1916	1,928 "	1,362 " "
1917	1,886 "	1,394 " "
1918	1,909 "	1,377 " "
1919	1,286 "	988 " "
1920	1,209 "	932 " "
1921	506 "	534 " "
1922	897 "	....

Consensus of opinion in well-informed copper circles is that the metal will not experience a boom until Europe once more becomes a large consumer of the metal. The United States has always been the largest consumer of copper in the world, and, before the war, Germany was the second largest user of the metal. Now the great German metal-manufacturing concerns are badly disorganized. Speaking of this, an authority of German economic conditions says:

"The former rôle of Germany as the largest European copper consumer is history. It is impossible to prophecy when the resurrection of the German metal trades will take place."

German copper consumption is now on about a parity with that of Czechoslovakia and is about 30% that of Italy's consumption.

In contrast with copper, there was a distinct improvement in the tin market last year. Tin is a curious metal. Actively traded in at London and to a lesser extent in this country, its price undergoes at times some amazing fluctuations. Moreover, since it is produced in quantity at only a few places and as its production cannot be easily increased, its market is never saturated for long. While the average individual hears little of tin the uses of this metal are multifarious and permeate modern industrial life.

By far the greatest part of the world's output of tin comes from the Straits Settlements of the Dutch East Indies. Bolivia is the second largest tin-producing country, while others are Australia, South Africa, Cornwall and China. World's production of tin is shown herewith:

1909	104,250 long tons
1910	103,500 " "
1911	109,600 " "
1912	114,600 " "
1913	119,000 " "
1914	107,000 " "
1915	121,800 " "
1916	117,250 " "
1917	120,918 " "
1918	114,233 " "
1919	103,668 " "
1920	108,900 " "
1921	80,660 " "
1922	118,870 " "

More than 50% of the world's tin comes from the Straits Settlements and is produced by native labor. The East Indian laborer is a good deal like the Southern negro. When he has worked long enough to supply himself with food and drink for a week or two, he is apt to quit working until his accumulated capital is exhausted. Money is no object as long as he has enough for his immediate needs. Raising wages to stimulate production is more apt than not to demoralize the workers rather than to spur them on to greater efforts. It will be noted from the table that the world's tin output has not increased materially in ten years. Production in Cornwall, which used to run between 5,000 and 6,000 tons per annum, was only 760 tons in 1921 and 500 tons in 1922.

Three times in the history of the industry it seemed as though a shortage of tin would close down manufacturers. The first time was in the sixties of the last century, and the second was when the world depended upon the insufficient Cornish mines. This shortage was relieved by the opening of tin deposits in Malaya. The third time was in 1907 when the panic in this country ended the tin famine. Of the tin produced, approximately one-third is consumed by the tin-plate industry. This country has an annual capacity of about 30,000,000 boxes a year, and, as the use of canned goods is rapidly increasing with no immediate prospects for a considerable increase in tin production, the outlook is for continued high tin prices. There are no tin-producing company securities listed in this country.

Lead and Zinc

The position of lead and zinc is somewhat analogous to that of copper although lead did not enjoy anything like the war boom that zinc did, and, consequently, did not sustain the same violent reaction. The price of lead is controlled by the American Smelting & Refining Company. In the five years preceding the war, it will be noted that the annual average price of lead was practically unchanged. For three months in 1917, the monthly average price was above 10c. a lb., the highest being in July when it stood at 11c.

Zinc or spelter, on the other hand, soared to 22.62c. the average for June, 1915, and maintained high prices for more than a year. This resulted in a rush to put up zinc smelters, most of which have been obliged to shut down since.

The output of lead and zinc over a period of years is shown herewith.

	Lead (In thousands)	*Zinc*
1909	352 short tons	255 short tons
1910	375 " "	269 " "
1911	391 " "	286 " "
1912	392 " "	338 " "
1913	411 " "	346 " "
1914	512 " "	353 " "
1915	507 " "	489 " "
1916	552 " "	667 " "
1917	548 " "	669 " "
1918	539 " "	517 " "
1919	424 " "	465 " "
1920	476 " "	463 " "
1921	398 " "	200 " "
1922	461 " "	339 " "

Looking at the metals situation in a broad way, it appears that they have recovered to a considerable extent from the "morning after" which followed the war. That copper is not in as a firm position as the other three—lead, zinc and tin—is chiefly due to a factor of its own making—overproduction. A settlement of the European situation, which would permit the nations abroad to turn their entire attention to making ploughshares instead of swords, would be a strong, bullish copper argument. Over a period of years the curve of copper consumption is always upwards. Like oil, it awaits the time when the consumption curve will overtake the curve of production. In general, the 1924 prospect for the non-ferrous metals is favorable.

An ore train of seventy-five cars in the Silver Bow Canyon, Anaconda Copper Mining Co.

SERVICE SECTION

ANSWERS TO INQUIRIES

Industrial Inquiries

TEN GOOD COMMON STOCKS IN TEN DIFFERENT INDUSTRIES

A Good Way to Diversify Holdings

I have noted your repeated advices in THE MAGAZINE OF WALL STREET *not to put "all your eggs in one basket," and have been thoroughly converted to this investment idea. Having a few thousand dollars that I wish to invest in dividend-paying stocks I will be pleased to have you suggest ten issues representing ten different industries and which give a reasonable return.—F. G. B., Lancaster, N. H.*

We consider the diversification of your holdings by the selection of stocks in companies engaged in different industries an excellent idea, for there is always a possibility of conditions arising that would adversely affect some one industry particularly. A good illustration of the inadvisability of concentrating holdings in one industry is the demoralization that occurred in the oil industry in the latter part of 1923 due to overproduction. Investors who had too great a proportion of their capital in oil stocks were placed in a very unfavorable position. We believe that the following list of ten stocks representing ten different industries will meet your requirements:

	Industry	Dividend	Price	Yield
Westinghouse Elec.	Elec. equipm't.	4	61	6.5%
American Ice	Mfr. of ice	7	90	7.7
Am. Steel Foundries	R. R. equipm't.	3	38	8.0
Cerro de Pasco	Copper	4	46	8.7
Philadelphia Co.	Gas, elec. l. & p.	4	44	9.1
American Tobacco B	Tobacco	12	148	8.1
Baltimore & Ohio	R. R. transp'n.	5	59	8.4
Electric Stor. Bat'y.	Storage bat'ries.	4	62	6.4
Texas Co.	Oil prod. & ref.	3	43	7.0
General Motors	Automobiles	1.20	15	8.0

The average yield of the above ten stocks is approximately 8%.

PACIFIC OIL

Valuable Oil-Land Holdings

Can you furnish me with a record of the recent earnings of Pacific Oil? Do you believe that the stock is entitled to sell at much higher prices?—M. Q., Miami, Fla.

Pacific Oil for the nine months ended September 30, 1923, after deducting taxes and reserve for depreciation and depletion, showed net earnings equal to $1.96 a share on the stock as compared with $2.63 a share in the same period of 1922. These lower earnings were due, of course, to the lower prices prevailing for crude oil in California. In view of the outlook for improvement in oil prices by Spring of this year, earnings of the company should increase, and it is probable that before long, it will be able to resume the $3 dividend rate which it formerly paid. Pacific Oil owns large tracts of oil lands that have not yet been developed and which in the future will probably add to earnings. We consider it to have good long-pull possibilities, but as nothing higher than a $3 dividend rate can be expected for some time, we should say that, at present levels of around 50, it is probably selling high enough for the time being.

NORTH AMERICAN CO.

Earnings Justify Present Dividend

Have about a point profit in North American common. Am perfectly willing to hold it longer in view of the good return if you consider that the dividend can be maintained.—H. B. E., Washington, D. C.

In our opinion you are justified in holding North American stock for a higher price. Earnings are running at the rate of about $5.50 a share before depreciation and $3.25 a share after depreciation at the rate charged off in 1922. We believe it will be able to maintain its $2 dividend under present business conditions, and, in view of the high return it gives at present levels, we look for it gradually to appreciate in value.

GOODYEAR TIRE PRIOR PFD.

Dividend Fairly Secure

Having bought Goodyear Tire & Rubber 8% prior preferred stock at 95 I am now faced with a 7 point loss which I am anxious to make up. Do you think the stock will come back or is there anything else in which I could make up my loss more rapidly without taking any greater risk?—H. V. N., Baltimore, Md.

It is our opinion that Goodyear Tire & Rubber prior preferred dividend can be maintained, and we believe the stock will ultimately retrace ground to the level at which you purchased it, although this may take some time. If you wish to recover your money more rapidly, however, and are willing to switch into a non-dividend payer, our suggestion is to switch into Willys-Overland 7% preferred, selling around 80. There are 21% back dividends due on this issue which is a 7% cumulative stock. As Willys-Overland earned over 60% on the preferred stock in 1923, it is in strong financial condition, and indications point to a still larger output in 1924, early dividend action is likely, and we look for a large amount of the back dividends to be paid off this year. This preferred stock is now in strong position.

MARACAIBO OIL

Gulf Oil Developing Property

What can you tell me about Maracaibo Oil? —A. G. Kokomo, Ind.

Maracaibo Oil Exploration Corp. has a large interest in oil lands in Venezuela. Recently the South American Gulf Oil Co., a subsidiary of Gulf Oil Corp., exercised its option to purchase 64,420 acres of Maracaibo oil lands. Cash was paid for this acreage and in addition, Maracaibo retained a royalty interest. The South American Gulf Oil Co. agrees to do extensive development work on the property.

Capitalization consists of 250,000 shares of no par value and $800,000 debenture bonds. Balance sheet as of April 30, 1923, showed a good financial condition with cash of $800,000 and current liabilities of only $4,000. We consider the stock to have good speculative possibilities. The company has about 200,000 acres of land in addition to the land sold to the South American Gulf Oil Co..

TWO SPECIALTIES

With a Satisfactory Outlook

Kindly let me have your opinion of Foundation Co. and International Combustion Engineering.—D. D., Portsmouth, N. H.

Foundation Company's earnings for 1923 are expected to show between $10 and $15 a share on the stock. The company still has a large amount of unfilled business on its books, and the outlook is for satisfactory profits in 1924. We con-

sider the stock to have good long-pull possibilities.

International Combustion Engineering is likely to show around $3 a share for 1923. The company has recently taken a large volume of orders, and indications are that earnings in 1924 will be considerably better. We also consider this stock to have good long-pull prospects.

WRIGHT AERONAUTICAL

Good Financial Condition

A friend has advised me to buy Wright Aeronautical, but I know little or nothing about this company. Any facts you care to give me will be gratefully received.—J. J., Harrisburgh, Pa.

Wright Aeronautical capitalization consists of 224,330 shares of no par value. It has no funded debt. Working capital of the company is around $2 million, and, in addition, it has a trust fund consisting of marketable securities of $2.8 million. This trust fund could be distributed to stockholders were it not for the fact that the Department of Justice is threatening suit for alleged over-payment on war contracts. This suit is for $4.7 million. However, best legal opinion is that the Government has little chance of winning, and papers have not yet actually been filed. Earnings of this company for the past four years have averaged about two and a half times the present dividend of $1 per share. The stock is classed as speculative, but in view of its good financial condition and the outlook for expansion of the aeroplane industry, we regard it as having good possibilities.

UNION CARBIDE & CARBON

Switch to Westinghouse Suggested

I am holding 50 shares of Union Carbide & Carbon and would like to have your opinion of the prospects for higher prices. If there is something you like better, will be pleased to hear of it.—S. A. B., Olean, N. Y.

Union Carbide & Carbon stock is not without long-pull possibilities as this is a very strong company and apparently has a growing business. However, at present levels, the stock appears high enough for the time being as the company only earned $4.40 a share on the stock in 1922 which was about the same as in 1921. It is our opinion that Westinghouse Electric, paying $4 per share per annum and selling around 60, is a better proposition, for Westinghouse Electric, for the past ten years, has averaged $8 a share per annum on the stock and will show around $9 in the current fiscal year. It is in an unusually strong financial position, and the outlook for the electrical equipment industry has never been better.

LOW-PRICED ISSUES

Seven that Appear Attractive

What low-priced issues do you consider to have good possibilities at this time?—P. F., Minneapolis, Minn.

Low-priced issues which we feel have good prospects of appreciating in value are given below: In purchasing these stocks which are, of course, more or less speculative, it is well to diversify, that is, do not concentrate on any one but divide your money among the entire list. By doing this, your risk is decidedly lessened and your prospects of profits just as good.

	Div.	Price
Vivaudou	2	14
Wright Aeronautical	1	13
Willys-Overland common	—	10
Tennessee Copper & Chemical	1	9
American Ship & Commerce	—	12
Continental Motors	—	6
Moon Motors	3	25

By dividing your money among all these stocks, you would be getting a sufficient income from dividends to give a fair return on the entire amount invested and could afford to hold for appreciation in value of the principal.

NATIONAL LEAD PREFERRED

Callable at Par

In your preferred stock guide under sound investments I note that you never have included National Lead 7% preferred stock. I have always considered this preferred stock a very sound investment and have wondered why you do not recommend it. I also have a few shares of National Lead common on which I have a substantial profit. What do you think of the common stock at present price?—D. K. M., Kennebunk, Me.

The reason we have not included National Lead Co. 7% preferred stock in our preferred stock guide, is for the reason that this stock is callable at any time at 100. In the past the management has expressed the opinion that the stock will not be called and very probably no such action will be taken. However, there are many other good preferred stocks which have no such callable feature, and for that reason we have not recommended the issue. There is no question, in our opinion, about the soundness of this preferred stock.

National Lead is a very strong company, and we have been favorably disposed towards the common issue. However, we do feel that the recent very substantial advance that this stock has enjoyed has brought it up to a level where it has rather fully discounted the favorable factors in the situation, and we are inclined to advise taking profits at this time.

REYNOLDS SPRING

Manufacturing Bakelite

Please give me your best advice in regard to Reynolds Spring of which stock I am holding 300 shares. It has not done very well recently. As this constitutes nearly all of my speculative holdings I am somewhat worried about it.—O. B. N., Chicago, Ill.

We class Reynolds Steel Spring as a rather speculative issue. The company is not particularly strong financially, and its record in the past has been none too good. We understand that this company has recently taken substantial orders, however, and it has the rights in Michigan for the manufacture of bakelite, a patented process used in automobiles to replace many parts previously made of rubber and iron. Indications are, therefore, that the company will show considerable improvement in earnings, and as a speculation we consider the stock to have possibilities. However, it is not a stock in which we believe it advisable to tie up a large percentage of your capital in view of its speculative nature.

TRANSCONTINENTAL OIL

Weak Financial Condition

Your opinion of Transcontinental Oil will be appreciated. I have 500 shares and am uncertain as to the advisability of holding so much of it.—D. L. K., Trenton, N. J.

The last balance sheet of Transcontinental Oil published was as of December 31, 1922. At that time the company had 6 million floating debt and in addition a funded debt of 7 million. In view of the trying period that oil companies have passed through in the past several months, the chances are that the financial condition of the company at this time is even worse. In view of this heavy debt, therefore, the stock cannot be rated at more than a gamble, and we do not consider it advisable to carry as much as 500 shares. It may go higher due to manipulation, but, the company is apparently in a very uncertain position. A suggestion is that you switch into Willys-Overland.

PRESSED STEEL CAR

A Switch Suggested

With a ten-point loss in Pressed Steel Car I am undecided whether I should continue to hold the stock or sell out and buy something else to recover this loss. What is your advice?—S. T. Passaic, N. J.

Pressed Steel Car's operations in 1923 were on a favorable basis, but it is well to realize that 1923 was a period of unusual prosperity in the equipment industry, and good earnings in this year does not necessarily indicate that they can be continued. Pressed Steel Car may have possibilities of appreciating further in value, but we feel that there are other issues that are more desirable and that would recover your losses more rapidly. A suggestion is that you switch into Moon Motors, paying $3 per share per annum and selling around 25. This is apparently a rapidly growing automobile organization. Earnings in 1923 were double the dividend, and the company is planning a much larger production in 1924. It has greatly strengthened its dealer organization, and we consider the

(*Please turn to page* 538)

SUBSCRIBERS ONLY ARE ENTITLED TO FREE SERVICE FROM THE INQUIRY DEPARTMENT.

Third Installment *What Are the Exemptions?*

Income Tax Department

Conducted by M. L. SEIDMAN

As for exemptions, every single person not the head of a family is entitled to an exemption of $1,000. In other words, a single person pays no tax if his income is less than $1,000, although, as we have seen, he may be required to file a return.

Married persons are permitted an exemption of $2,500, if the income of both husband and wife is not over $5,000. If the combined income is over $5,000, the exemption is $2,000. Only one exemption is permitted the husband and wife, although if each files separate returns, they can divide the exemption between them as they best see fit.

The head of a family is entitled to the same exemption as a married person. To be classed as the head of a family, you must be in a position to show that you actually support in your household one or more persons closely connected with you by blood. By "support" is meant contributing to more than one-half of the maintenance of another. All persons, whether single, married, or the head of a family, are entitled to a further exemption of $400 for each person (other than husband or wife) under the age of eighteen or incapable of self-support, dependent upon them.

An Important Provision

It is very important to note in connection with all these exempt allowances, that it is the status on the last day of the year that determines the exemption. A person who marries on December 31st, is entitled to the exemption of a married person for the entire year. Likewise, if a child becomes eighteen on December 31st, or dies on that day, the exemption for supporting the child cannot be taken. The only exception to this rule is the situation where a person dies during the year. On the return for the decedent it is permissible to take the full exemption that would have been allowed him on the date of his death had that been the last day in the year.

Corporations are permitted an exemption of $2,000, if their net income is $25,000 or less. They are entitled to no exemption whatsoever if the income exceeds that amount.

Now as to the rates of tax:

The tax paid by an individual is divisible into two parts; one the normal tax, and the other, the surtax. The normal tax is four per cent on the first $4,000 in excess of all exemptions, and eight per cent on the remainder. The surtax rates range from one per cent to fifty per cent, depending on the size of the income. The one per cent rate is applied on the income between $6,000 and $10,000. The fifty per cent rate is applied on the income in excess of $200,000. Between these two extremes the rates graduate generally on the basis of an increase of 1% for each additional $2,000 of income.

The income that is subject to the surtax may not be the same amount as that subject to the normal tax. For instance, dividends are not considered as income for the purpose of arriving at the normal tax, whereas they are for surtax purposes. Likewise, the surtax is imposed on the income before considering exemptions, whereas the normal tax is computed after deducting exemptions.

A concrete example may serve to illustrate these principles. Let us assume that a married man with no dependents has an income of $10,000 of which $3,000 is from dividends. His tax would be computed as follows: The normal tax would be arrived at by deducting from $10,000 the dividends of $3,000 which are not subject to normal tax and exemption of $2,000, leaving income subject to normal tax of $5,000. Of this amount $4,000 is subject to a tax at 4% or $160 and $1,000 at 8% or $80, making a total normal tax of $240. For surtax purposes the entire net income is considered, and, since the surtax rates are 1% on the amount of income between $6,000 and $10,000, the surtax in the particular case would be $40. The total tax both normal and surtax, would therefore be $280.

There is one very important exception to the application of the ordinary tax rates, and that is in the case of profits derived from the sale of capital assets. In a subsequent article this exception will be discussed in detail. Suffice it here to mention that where profit is derived on the sale of an asset that has been held for more than two years for investment purposes, that profit cannot be taxed at a rate greater than 12½ per cent.

Corporation Tax

Corporations are taxed at a flat rate of 12½ per cent on their net incomes. This will undoubtedly bring to one's mind immediately the inequality between the rates on corporate incomes as against those imposed on individual incomes, and the possibility of substantial tax savings by carrying on business under the one form or the other. As a general rule, it could be said that where the incomes of the individuals engaged in business exceed $32,000, it would be advantageous from a tax standpoint to carry on business as a corporation, whereas if the individual incomes are less than that amount the business should be carried on as a partnership or sole proprietorship. The $32,000 figure represents the income that an individual would have to have before his tax amounted to 12½% of his income.

This is the third of a series of articles on the income-tax requirements, which will appear regularly. Mr. Seidman is chairman of the Committee of Tax Consultants of the Committee of American Business Men. He is a well-known tax expert and has written numerous articles on taxation. Mr. Seidman will answer any question on the subject directed to him by our subscribers. Such questions should be addressed to the Tax Editor. To receive attention, all communications should be signed by the writer. Mr. Seidman's answer, however, when published, will not reveal the identity of the inquirer. No letters will be answered after March **1.**

Questions and Answers

Q. I hold stocks that I can realize a substantial profit on, if I were to sell them today. I am reluctant, however, to dispose of these stocks because my income is already large, and my tax would therefore be exorbitant. I have been advised to make a gift of the securities to my wife, and in that way I am told there will be no profit to either of us. Should I follow this advice?—L. I.

A. Giving the stock to your

(*Please turn to page* 541)

TRADE TENDENCIES

Business Quiet But Hopeful

Irregularities in General Situation Noted—Prices Firm—Demand Slow But Improvement Expected

STEEL

Awaiting an Impulse

IT cannot be said that the steel industry has undergone any material change in the past fortnight, although such moderate alterations as have occurred were on the constructive side and suggestive of further mild improvement. Consumers seem rather definitely to have abandoned hopes of price concessions and are buying more freely with the result that the increase in demand heretofore noted has widened to include a more representative list of steel products.

The sheet, tin-plate and wire mills have acquired a substantial volume of orders sufficient to carry them well through the first quarter, but makers of plates, shapes and bars are not so well supplied. Indications point to better things for the latter, however, while the pipe mills should also experience a revival of fair proportions shortly as conditions in the oil industry continue to improve.

On the whole, steel companies should meet no real difficulty in maintaining operations on a fairly active scale over the first quarter at least. A repetition of the strong demand and high rate of output which marked the corresponding period last year is not to be expected in view of existing conditions, however.

While stability of prices seems to be an accomplished fact, margins of profit must necessarily compare somewhat unfavorably with those of the preceding year, because semi-mill capacity will probably be engaged at a lower rate and higher operating costs, resulting from increased wage bills, must be more clearly reflected in coming earnings statements.

METALS

No Material Change

Despite record-breaking consumption of the red metal—November shipments of refined copper, foreign and domestic, are estimated at 224 million pounds, an increase of 16 million pounds over the previous record—the copper industry's statistical position remains such that no lasting improvement in prices may reasonably be hoped for in the near future.

Although demand has lately been running ahead of output, stocks of the refined metal nevertheless show an increase of 40 million pounds at the beginning of the current year as compared with those held on January 1, 1923. The most formidable obstacle to definite recovery is to be found in the steady influx of low cost South American copper and continued lack of export demand. So long as the European countries, which normally consume large quantities of the red metal, persist in buying on a limited scale, just so long must the producers be dependent upon American consumption as the principal outlet for domestic and South American production.

Thus far, consumption in this country, although constantly on the increase, has been unequal to the task of neutralizing the industry's greatly expanded capacity for production.

Prices have shown comparatively small variation for several weeks past, speaking relatively, alternating periods of moderate strength and weakness having resulted in only fractional changes from the average 13-cent level. In general, therefore, a fair degree of stability may be said to characterize the market but, as already inferred, no permanent recovery of material proportions seems in nearby prospect, on the contrary, present influences appear to weigh more heavily on the side of slightly easier price tendencies.

(*Please turn to next page*)

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1923 High	1923 Low	1924 *Last
Steel (1)	\$46.25	\$36.00	\$40.00
Pig Iron (2)	31.50	20.00	21.00
Copper (3)	0.17½	0.12	0.12⅞
Petroleum (4)	4.10	2.35	3.00
Coal (5)	4.25	1.88	1.88
Cotton (6)	0.37¼	0.22	0.35¼
Wheat (7)	1.38	0.97	1.07
Corn (8)	0.97	0.68	0.74
Hogs (9)	0.08½	0.06½	0.07¼
Steers (10)	0.10¾	0.08¾	0.11¼
Coffee (11)	0.13	0.10½	0.10¾
Rubber (12)	0.37	0.25	0.27
Wool (13)	0.58	0.54	0.55
Tobacco (14)	0.24	0.18	0.24
Sugar (15)	0.08½	0.05½	0.06½
Sugar (16)	0.10½	0.07	0.08¼
Paper (17)	0.04⅛	0.03¾	0.04

* Jan. 8.

(1) Open Hearth billets, \$ per ton; (2) Basic Valley, \$ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, \$ per barrel; (5) Pool No. 11, \$ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, \$ per bushel; (8) No. 3 Yellow, Chicago, \$ per bushel; (9) Light, Chicago, \$ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND IN MAJOR INDUSTRIES

STEEL—Prices firmly held. Demand shows tendency to broaden but volume of orders not yet materially above December rate. Situation sound, however, and further recovery is anticipated.

OIL—Recent developments have placed industry in more comfortable position. Further price readjustments expected but likely to be moderate as statistical position is still weak, with stocks of gasoline and crude oil at high point.

TEXTILES—No changes of consequence are noted in the textile industries. Distributors are uncertain as to the probable trend of events and are disposed to adhere to cautious buying policies as a result. Silk is an exception as demand is improving and production manifests an upward tendency.

CHEMICALS—Business in chemicals has not yet recovered from year-end dullness. Price changes are without significance but undertone is steady. Marked increase in fertilizer sales probable as consequence of prosperity of southern farmers.

SHIPPING—Rate increases put into effect in several transatlantic services. Will probably be followed by advances in Pacific trade and other European routes.

SUMMARY—There is little in the business outlook to suggest any material change in tendencies over the next few weeks. The shipping and oil industries should continue their recovery from recent extreme depression and the steel industry appears to be facing a more active period while the automobile and building industries are most favorably situated to provide the foundation for any new forward movement. The lack of uniformity in basic industries makes for commendable conservatism.

MOTORS

(Continued from page 533)

Capacity Operations Indicated

The first quarter of 1924 bids fair to surpass all like periods of preceding years from the standpoint of manufacturing activities. Motor-car producers have adopted ambitious plans which, if adhered to throughout the ensuing twelve months, would make the current year another record breaker. These schedules are obviously tentative and subject to revision from time to time as conditions dictate. At present it is sufficient to know that the industry is in a strong position for the next three months or so. Its optimistic expectations for succeeding quarters are merely to be regarded as of interest in interpreting existing conditions and the more immediate outlook.

Although earnings of motor companies should continue to be satisfactory, it is exceedingly questionable whether they will measure up to the 1923 standard. For one thing, continued operations at peak levels are conducive to keener competition between producers and hence there is a possibility that such price revisions as do occur will be toward moderately lower levels. As for production costs, these are at present higher than they were at the same time last year and will undoubtedly remain so.

Basic factors are sound. Stocks in the hands of dealers are low. Accumulation of models for spring delivery is proceeding slowly both in distributive channels and at the factories. Buying power of the community at large remains high as a result of satisfactory income over the past year or more, and, since there is nothing in the business outlook to suggest a change in this direction, sales prospects remain quite encouraging.

When Stocks Are Not Bargains

Intimate Talks With Readers

WE gather from inquiries made recently that a large number of small (and medium) buyers have been showing a distinct partiality for certain stocks of very moderate or very low prices. It is suspected that the orders originate with investors that are not familiar with the market; yet not a few of these purchases have been traced to people who, to say the least, ought to know better.

It hardly seems necessary to say that Wall Street yields very little for nothing, and in the stock market the general rule prevails that the buyers gets about as much quality as he cares to pay for; and when he embarks on a campaign of "economy" in buying securities, in the long run and on the average he will learn that his cheap securities were deservedly cheap at the time he bought them—and that he could have got them still lower had he waited.

It takes a very long time for a security "in distress" to find its rock bottom level, and the path to reorganization, receivership, or extinction is not always a straight line. This unfortunately constitutes a trap for the unwary small buyer, who buys only because this or that stock has formerly sold at 30, 50 or even 100 points higher, and therefore (according to his reasoning) ought to come back a good part of the way. Some of these buyers are frankly gambling on the chances they take, and perhaps they *know it;* and these are the very people who should *not* gamble! If the rich man can only "see" General Electric, American Telephone, and United Fruit, we can quote Mr. Postum by saying "there's a reason." The reason is:—ninety-nine times out of a hundred the buyer gets the kind of quality he pays for, and the rich man hates losing money so he buys quality first.

Let us give a few instances of the kind of security we mean: the kind where quality is obviously lacking at present, and without reference to the purely *speculative probabilities* inherent in them, which no man can deny. A good deal of nibbling at the alluring bait of "bargain prices" is seen in many stocks selling at or under ten dollars a share. It is safe to say that tens of thousands of these are being taken off the market *weekly* by odd lot buyers; and that the ultimate losses to small people may eventually commence to rival the total of funds stolen from investors by the bucketeers.

If the exchanges or anyone else knew definitely that this or that stock was definitely worthless, it is extremely doubtful if they could act to prevent people buying. It is the writer's conviction that a long string of the 10s and 20s, even among those with the dignity of a N. Y. Stock Exchange or Curb listing are, in fact, not much more than so much paper. Yet, presumably because every dog has his day, there might be a Hector or two among the litter that might survive the vicissitudes of business, or the sins of overcapitalization, and an isolated purchase here and there might prove immensely profitable. If U. S. Steel itself was able to overcome a quotation of 8⅜ to rise to 136⅝, the answer to this precautionary discussion might be "Why not Hector?"

A. I. C. was formerly a high-priced stock selling to 132¼, and then represented an interest in *an inside pool* in a vast holding corporation underwritten by the greatest aggregation of bankers and rich men, who had ever gotten together to support a company. They, in fact, subscribed $100 in cash per share, so that the high price represented only a premium of $32¼ for the privilege of joining such a pool. Who wouldn't pay that price even today? A. I. C. has taken a long time to confess itself a near failure, and a news item today regard its interest in the Amsinck Company reminds us that it is attempting to stage a comeback? *Will* it come back; and if so—how far? Out of $50 million cash put up by the big men in the company, over half was lost, just as any novice might lose half his margin in a lot of ill-advised small speculations. The A. I. C. people did it on a more grandiose sacle; so if they are *not infallible,* where does the small man get off, and what assurance have small investors today of better luck if they buy the stock at the "ridiculous" price of 20 or so a share? Yet it is surprising how the small investors are nibbling at it!

If any rule covering the doctrine of quality is possible or permissible we would say that the investor would be better off to purchase quality stocks; and quality stocks are generally dear stocks. True, there is more to lose *in points* in a stock ranging from 75 to 150, but the chance is entirely negligible that:—the great majority of high-priced stocks of established character will decline disastrously; or that any big decline will be accompanied by a proportionate loss of intrinsic value; or that any temporary loss will become a permanent loss.

The small investor might object that he cannot afford to buy "high-priced stocks" and doesn't stand to make much money by doing so. The objection is answered, we believe, by saying that he certainly cannot afford to take chances during the first ten years of his acquaintanceship with the market. After that period, he will have learned to take care of himself.

A SENSIBLE 1924 RESOLUTION

IT is remarkable when one looks around among investors and traders of every degree, how scantily, equipped the majority really are in knowledge of the elementary fundamentals that are essential to success. We happened to be "in on" an argument between a harassed customer's man and a trader who had some standing orders, to buy some stocks and to sell others at a price. All would have been simple but for the fact that around this time of year dividend disbursements are unusually heavy, and a record number of securities sell "ex dividend" between December 30 and January 5.

The argument under discussion was the usual *why* this stock was not bought and why the other wasn't sold since, in the opinion of the customer, the prices had apparently been reached and passed—were it not for the changes in quotations due to the securities in question selling "ex dividend." The argument was brought to an abrupt halt by the voice of the old-timer. "It would be a mighty fine idea for you expert traders and customers'-men to really learn something about the game in 1924," he suggested by way of a start. And he then ironed out the problem by explaining the intricasies, rules, and regulations—exactly what happens to brokers' orders when stocks sell ex-dividend.

"It is amazing," he said to me, "the fearful ignorance of the average man who comes in here. In no other business in the world will you find so much

(Please turn to page 549)

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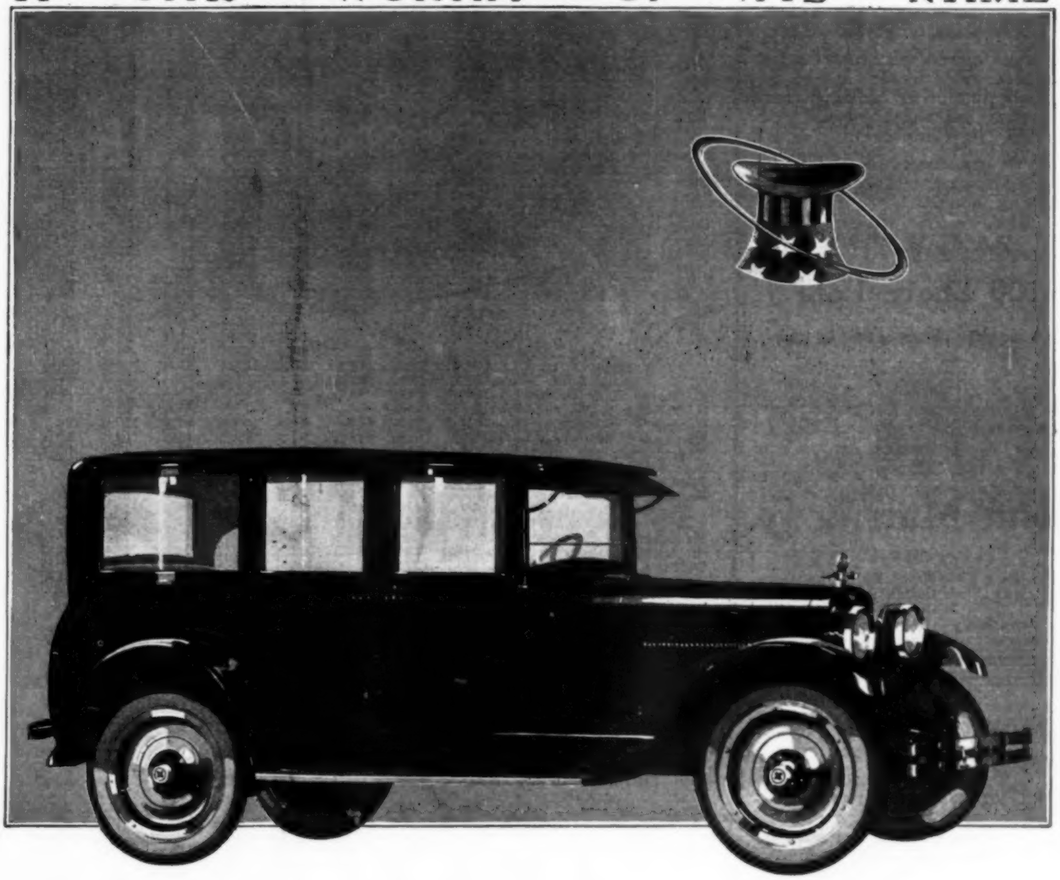

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UTICA GAS & ELECTRIC CO. Ref. & Ext. 5s, 1957	91¾	5.55%
SYRACUSE LIGHTING CO. 1st 5s, 1951	92¼	5.50%
SOUTHERN CALIFORNIA TEL. CO. 1st & Ref. 5s, 1947	92½	5.60%
BALTIMORE & OHIO R. R. P. L. E. & W. Va. Ref. 4s, 1941	80	5.25%
CHIC. TERRE HAUTE & SOUTHEASTERN R. R. 1st & Ref. 5s, 1960	79½	6.45%

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New York Stock Exchange

	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1923 High	Low	1923 High	Low	Last Sale Jan. 9	Div'd $ Per Share
RAILS:										
Atchison	125⅛	90¼	111¼	75	108½	91¾	105⅛	94	98⅜	6
Do. Pfd	106¾	96	102⅛	75	95½	72	90⅝	85⅝	87½	5
Atlantic Coast Line	148½	102½	126	79⅞	127	77	127	109⅞	115	7
Baltimore & Ohio	122¼	90⅝	96	88¼	60¾	27⅝	60¾	40⅛	60⅜	5
Do. Pfd	96	77¼	80	48¼	66¼	35½	60⅞	55¾	†59⅛	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	160	139¾	150½	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	76⅜	57	74½	4
Ches. & Ohio Pfd	..	..	..	..	105⅝	96	104⅞	96	99⅜	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	11¼	26⅜	11⅛	16½	..
Do. Pfd	181	130½	143	62½	76	20⅝	45½	20⅝	26⅜	..
Chicago & Northwestern	198½	123	136⅞	85	105	45⅞	88	47⅛	51⅝	4
Chicago, R. I. & Pacific	..	..	45¾	16	50	19⅛	37⅞	19⅛	25⅝	..
Do. 7% Pfd	..	..	94¾	44	105	64	97	72	81½	7
Do. 6% Pfd	..	..	80	35¾	93¾	54	85	60⅞	69¼	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	124½	93¼	†107½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	130½	109⅞	112	6
Erie	61¼	33½	59½	18¾	22¾	7	22¾	10⅛	25¾	..
Do. 1st Pfd	49¾	26¼	54¾	15⅛	33	11⅛	31¼	15	34	..
Do. 2nd Pfd	89⅛	19½	45⅝	13⅛	27⅝	7⅛	27⅝	10¾	29⅝	..
Great Northern Pfd	157⅞	115½	134¾	79¼	100⅝	50⅝	80	50⅝	59	5
Illinois Central	162⅛	102¾	115	85¾	117½	80⅞	117½	99⅜	103¾	7
Kansas City Southern	50¼	21⅛	35⅛	13½	28⅞	13	24⅞	15⅝	21	..
Do. Pfd	75½	56	65½	40	59½	40	57¾	48⅝	†53	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¼	71⅜	54	63	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	155	84¾	90⅜	5
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	17	9¾	12¼	..
Do. Pfd	78¼	46	60	6½	*48¾	*2	45½	24⅞	33½	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	8¼	19⅜	8¼	11⅜	..
Do. Pfd	..	..	64⅞	37½	63¾	22¼	49	22¼	32⅛	..
N. Y. Central	147¾	90⅜	114¼	62½	107¼	64⅛	107¼	90½	103⅜	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	80½	67½	79	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	9⅝	22½	9⅝	20⅛	..
N. Y., Ont. & W.	55⅜	25⅛	35	17	30½	14¼	21⅝	14¼	19⅜	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	125⅛	84¼	117⅝	100	104⅞	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	49¾	81½	49¾	54¼	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	47⅜	40⅞	43½	3
Pere Marquette	*36½	*15	38⅛	9½	47¼	12⅛	47¼	36	44	4
Pitts. & W. Va.	..	..	40⅜	17¼	94	21⅛	50⅝	33⅞	41¾	..
Reading	89⅝	59	115½	60⅛	108	60¾	81⅛	68½	78	4
Do. 1st Pfd	46¾	41¼	46	34	61	32⅞	56½	44	53¼	2
Do. 2nd Pfd	58¾	42	52	33¼	65½	33¼	56¾	45	†52	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	27	16¾	22	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅜	25½	36¾	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	95¾	84¼	88½	6
Southern Ry	34	18	36¾	12½	38⅝	24¼	39⅛	24¾	42	..
Do. Pfd	86⅞	43	85¼	42	72½	42	70⅞	63	68¾	5
Texas Pacific	40½	10¼	29½	6½	70½	14	29½	14	22¼	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	144⅞	124½	130¾	10
Do. Pfd	118½	79¾	86	69	80	61¼	76¼	70¼	72⅞	4
Wabash	*27⅞	*2	17½	7	14⅜	6	12	7½	12¼	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	36½	23½	38¾	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	23¾	10½	25¾	..
Western Maryland	*56	*40	23	9¼	17¼	8	15	8	11¼	..
Western Pacific	..	..	25½	11	40	12	20¼	12	16⅜	..
Do. Pfd	..	..	64	35	78	51½	63⅜	53	†58½	..
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	10⅝	6	8½	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	82	67	76	6
Allied Chem.	..	..	..	..	91¾	34	89	59¼	73	4
Do. Pfd	..	..	..	..	115½	83	112	105¼	110¾	7
Allis-Chalmers	10	7⅝	49⅛	6	59¾	26½	51¼	37¾	49⅛	4
Do. Pfd	43	40	92	32½	104	67½	97⅛	89	93	7
Am. Agr. Chem.	63⅝	33½	106	47¾	113¾	10⅛	36⅞	10⅛	16⅛	..
Do. Pfd	105	90	103½	89⅛	103	28¼	68⅞	28¼	47	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	25	42¾	..
Am. Bosch Mag.	..	..	..	..	143⅞	22⅞	60	22⅞	37	..
Am. Can	47⅜	6⅞	68½	19¼	107⅝	21¾	107⅝	73½	106½	6
Do. Pfd	129¼	98	114½	80	115	72	115	106	109	7
Am. Car & Fdy	76½	36½	98	40	201	84⅛	189	148¼	†164	12
Do. Pfd	124¾	107½	119½	100	126⅛	105¾	125⅞	117	†118	7
Am. Cotton Oil	79¼	33½	64	21	67½	3¼	20¾	3¼	†12	..
Do. Pfd	107½	91	102¼	78	93	26¼	32⅞	26¼	†36½	..
Am. Express	300	94¾	140½	77½	175	76	143½	87	†101	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	13¾	6⅛	9¾	..
Do. Pfd	51⅞	15⅛	94⅞	10	142⅜	29¼	74¼	29¾	54⅜	..
Am. Ice	..	..	49	8⅞	122	37	111½	78	89	7
Am. International	..	..	62¼	12	132¼	16	33½	16	24¼	..
Am. Linseed	20	6⅞	47¾	20	95	13	38	13	20⅞	..
Am. Loco.	74¾	19	98¼	46⅝	136¾	58	76¼	64¾	75	6
Do. Pfd	122	75	109	93	122¼	96½	122	114½	†118	7
Am. Safety Razor	..	..	..	..	22	3½	9⅛	4⅞	6⅞	50c
Am. Ship & Com.	..	..	..	..	47½	4¾	21⅜	10⅜	14½	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	69½	51¼	60⅛	5
Do. Pfd	116¾	98¼	118⅛	97	109⅝	63¼	102⅜	93	97½	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	40⅞	31⅛	38	3
Do. Pfd	..	..	..	..	107	78	105¼	97⅞	102½	7
Am. Sugar	136⅜	99⅞	126½	89⅛	148⅜	47⅝	85	48	57	..
Do. Pfd	133½	110	123½	106	119	67½	108¾	92	98	7
Am. Sumatra Tob.	..	..	145¼	15	120½	16	36⅜	16	27½	..
Do. Pfd	..	..	103	75	105	32½	65¾	32½	66¾	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	128¾	92⅛	128¾	119⅛	127⅞	9
Am. Tobacco	*530	200	256	123	314½	104⅛	161¾	140¼	†149½	12
Do. B.	..	..	..	..	210	100⅛	105⅞	100⅛	102¼	6
Am. Woolen	40⅝	15	60⅞	12	169½	55½	109⅝	65	76⅜	7
Do. Pfd	107¾	74	102	72½	111⅞	88½	111⅞	96⅝	101¼	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	53½	32⅜	38	3
Associated Dry Goods	..	..	28	10	89	48	89	62¼	82⅝	5
Do. 1st Pfd	..	..	75	50½	89	49⅞	80	82	86	6
Do. 2nd Pfd	..	..	49½	35	93½	38	93½	84	91	7
At. Gulf & W. I.	13	5	147¾	4½	192⅝	9¼	34	9¼	15½	..
Do. Pfd	32	10	74¾	9⅞	76½	6¾	27	6¾	13½	..
Baldwin Loco	60¾	36½	154½	26⅜	156¼	62¼	144¼	110½	125⅝	7
Do. Pfd	107½	100¼	114	90	118	92	116¾	110	111½	7
Bethlehem Steel B	*51⅝	*18¾	155½	59¾	112	41½	71⅞	41¾	54⅜	5
Do. 7% Pfd	80	47	186	68	108	87	97½	87	90½	7
Do. 8% Pfd	..	..	110½	92½	116⅝	90	111¼	100¼	..	8
Burns Bros. A	45	41	161½	50	147	76	144¾	100	106½	10
Do. B	..	..	..	..	53	21½	43	21½	24	2

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1923 High	Low	1923 High	Low	Last Sale Jan. 9	Div'd $ Per Share
Calif. Packing	..	..	56	30	87½	48¼	87	77	84	6
Calif. Petro.	72½	16	42⅝	8	71⅞	15¾	29⅜	17⅛	25	1¼
Calif. Petro. Pfd	95½	45	81	29½	110½	63	110½	90½	†99	7
Central Leather	51⅜	16½	123	25⅞	116½	9⅝	40½	9⅝	15¼	..
Do. Pfd	111	80	117½	94⅞	114	28⅛	79¾	28⅛	42¼	..
Cerro de Pasco	..	..	55	25	67½	23	50½	36½	46⅞	4
Chandler Mot.	..	..	109⅞	56	141¼	38¼	76	43	65⅜	6
Chile Copper	..	..	29¼	11⅛	30⅜	7¼	30⅜	24⅛	27⅝	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	31⅞	14¾	19¼	..
Coca Cola	..	..	..	..	83⅜	18	83⅜	65¼	76	7
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	30⅛	37¾	30¼	36	2.00
Consol. Cigar	..	..	..	..	80	13½	39⅜	14⅝	19⅞	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¼	56¼	69⅝	56¼	63⅞	5
Corn Prod	26½	7⅛	50½	7	160½	46	160½	114⅜	158¼	9
Do. Pfd	98½	61	113½	58⅛	122¼	96	122⅜	115½	119	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	84½	57½	67	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	20	8½	14¾	..
Cuban-Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37⅜	23	33¼	3
Endicott-Johnson	..	..	..	..	150	44	94¼	58⅞	67	5
Do. Pfd	..	..	..	..	119	84	118	109	†113	7
Famous Players	..	..	..	..	123	40	93	52	70	8
Do. Pfd	..	..	..	..	107⅜	66	99¾	82	†90	8
Freeport Tex	..	..	70½	25¾	64⅜	9½	22	9½	13	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	23	54	23	43	..
Gen'l Electric	188½	129¾	187¼	118	202¼	109½	202¼	167⅝	197	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	17½	12¾	15	1.20
Do. 6% Pfd	..	..	90½	72¾	95	63	89	79	†81	6
Do. 6% Deb	..	..	..	..	94¾	60	90	78¾	82	6
Do. 7% Deb	..	..	..	..	105	69	105	93¾	†98½	7
Goodrich	86½	15½	80¼	19⅝	93⅜	17⅜	41⅛	17⅜	25¼	..
Do. Pfd	109¾	73⅜	116¾	79⅞	109½	62½	92½	67¾	†76	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	36	25	29	2
Houston Oil	25½	8¼	86	10	116½	40½	78	40¾	69⅝	..
Hudson Motors	..	..	..	..	32⅜	19½	32⅜	20	28⅛	..
Hupp Motors	..	..	11¾	2½	29½	4⅝	20½	15⅛	16½	1
Inspiration	21⅝	13⅞	74¾	14¼	68⅞	23¼	43¾	23¼	26½	2
Inter. Mer. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	11⅝	4⅞	7⅞	..
Do. Pfd	27⅝	12½	125⅝	8	128½	18½	47	18½	33⅜	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	10⅜	16¼	10⅜	13½	..
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	58⅝	27⅞	38¼	..
Invincible Oil	..	..	..	..	47¼	5½	19¼	7⅛	15⅞	..
Kelly Springfield	..	..	85¼	36⅞	164	20½	62⅜	20½	34¾	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	108	78	86¾	8
Kennecott	..	..	64¼	25	45	14⅝	45	29⅜	35½	3
Keystone Tire	..	..	46½	11	126¾	1⅜	11⅛	1⅝	4	..
Lima Locomotive	..	..	..	..	74⅞	52	74⅞	58¼	67¾	4
Loews, Inc	..	..	..	..	38⅜	10	21¼	14	17¾	2
Loft, Inc	..	..	..	..	28	6	11¾	6	8⅜	..
Miami Copper	30¼	12¾	49¾	16⅜	32¾	14½	30½	20½	22⅝	2
Middle States Oil	..	..	..	..	71¾	3¼	12¼	3½	6	..
Midvale Steel	..	..	98½	89½	62¼	21½	33⅜	21½	†29¼	..
Nat'l Lead	91	42½	74⅝	44	148	63½	148	108	143¼	8
N. Y. Air Brake	95	45	136	55⅞	145¾	26⅝	42⅞	26⅝	41½	4 x. d.
N. Y. Dock	40¼	5	27	9¼	70¾	15¼	27	15¼	24	..
North American	*87⅞	*60	*81	*38⅞	100¾	17½	24¼	17½	23¾	2
Do. Pfd	..	..	..	..	48½	31⅞	48½	42½	†44½	3
Pacific Oil	..	..	..	..	69⅜	27½	52⅛	31¼	49½	2
Pan. Amer. Pet	..	..	70¾	35	140¼	38⅛	93½	53	54¼	5
Do. B	..	..	..	..	111¾	34⅛	86	50½	52½	5
Philadelphia Co.	59¼	37	48⅞	21½	50¼	26½	50¼	41	44¼	4
Phillips Pet	..	..	..	..	69⅝	16	69⅝	19¾	35⅜	2
Pierce Arrow	..	..	65	25	99	6¼	15¼	6¼	9¾	..
Do. Pfd	..	..	109	88	111	13⅛	35⅝	13½	28⅞	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	45	67⅞	58	62	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	42½	81½	42½	56	4
Do. Pfd	112	88½	109⅛	69	106	80	99¾	80	†84	7
Punta Aleg. Sug	..	..	51	29	120	24¾	69¼	41⅞	56⅛	1¼
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	32	16¼	24	1½
Ry. Steel Spg	54½	22¼	78½	19	126¼	67	123	99½	†108	8
Do. Pfd	113⅜	90¼	105½	75	121½	92½	121½	110¼	†113	7
Ray Cons. Cop	27½	7½	37	15	27½	9⅞	17¼	9⅞	11¾	..
Replogle Steel	..	..	..	..	93½	8	31¾	8	12	..
Republic I. & S.	49½	15¾	96	18	145	40⅛	66¾	40⅛	52	..
Do. Pfd	111¼	64½	112⅝	72	106¾	74	96⅞	84¾	†89⅛	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40½	55⅜	40½	51⅜	3.46
Shell T. & T.	..	..	..	..	90¼	29⅛	41⅛	29⅛	33½	2.06
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16	39⅜	16	25¾	2
Stand. Oil N. J.	*448	*322	*800	*355	*212	30⅞	44¼	30⅞	40	1
Do. Pfd	..	..	..	..	118¼	100⅛	118¼	114¾	118	7
Stromberg Carb	..	..	45¼	21	118¼	22⅛	94¼	59½	82	9½
Studebaker	49½	15¾	195	20	151	37¾	126⅜	93¾	106½	10
Do. Pfd	98⅛	64½	119½	70	118⅛	76	117	112	†115	7
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	12¾	8	9⅜	..
Texas Co.	144	74½	243	112	57¾	29	52⅞	34⅝	43⅝	3
Tex. Pac. C. & O.	..	..	..	..	195	5½	24¾	5½	11	..
Tobacco Prod	145	100	82⅜	25	115	45	78⅜	46¾	67½	6
Transcontl. Oil	..	..	..	..	62⅝	1¼	14½	1¼	4¼	..
United Fruit	208½	126½	173	105	224⅞	95¾	187½	152½	185	10
Un. Retail Stores	..	..	..	..	119¼	43½	84⅛	62⅛	62⅝	..
U. S. Ind. Alco	57¼	24	171½	15	167	35¼	73¼	40	71¼	..
U. S. Rubber	59½	27	80½	44	143⅜	30⅝	64⅞	30⅝	42	..
Do. Pfd	123½	98	115¼	91	119½	74	105	76¾	94⅝	8
U. S. Smelt. & R.	59	30⅜	81½	20	78¼	18⅜	43⅜	18	22	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	109⅝	85½	99¾	5¼
Do. Pfd	131	102½	123	102	123½	104	123½	116⅛	119½	7
Utah Copper	67½	88	130	48½	97½	41⅛	76½	55½	65	4
Vanadium	..	..	..	..	97	24⅜	44⅝	24¾	30½	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	6¼	27	6¼	9⅞	..
Do. Pfd	129½	62	115⅜	80	115⅞	17	69	17	33⅜	..
Western Union	36¼	56	105½	58⅜	121¼	76	119½	101⅛	110¼	7
Westinghouse Mfg	45	24¾	74⅞	32	67⅛	38⅞	67⅛	52½	61	4
White Motors	..	..	60	30	86	29¼	60⅞	45	54¾	4
Willys Overland	*75	*50	*325	15	40¼	4½	11¼	5	10½	..
Wilson Co.	..	..	84¼	42	104⅞	19	42¾	19	27⅝	..
Woolworth	177⅞	76⅛	151	81½	290	100	290	199⅛	283	8

* Old stock.

† Bid price given where no sales made.

Consolidated Gas Co. of N. Y.

and

Southern Railway

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ANSWERS TO INQUIRIES

(*Continued from page* 531)

company to be on the upgrade. It is in strong financial condition, having no funded debt or bank loans.

A 7% RETURN ON BONDS

By Diversifying Holdings this Yield Can Be Obtained with Only a Slight Degree of Risk

Through the sale of a piece of property I have $11,000 which I plan to invest in bonds, placing about $1,000 in each. Do you consider that by careful selection I could obtain as high a yield as 7% without assuming too great a risk?—H. J. L., Albany, N. Y.

By diversifying your investment among several bond issues as you plan, we feel that you can obtain 7% on your money without assuming any undue degree of risk. We are pleased to suggest the following list:

	Price	Yield
American Water Works & Electric col. 5s, due 1934	84½	7.1%
Manhattan Railway consol. 4s, due 1990	57	7.0
Manati Sugar 1st mrge. 7½s, due 1942	99	7.6
International Mercantile Marine 6s, due 1941	80	8.1
Seaboard Air-Line 1st 4s, due 1950	59	7.7
Brooklyn Manhattan Transit 6s, due 1968	73	8.5
South Porto Rico 1st mrge. & col. 7s, due 1941	101	6.9
Erie & Jersey 1st 6s, 1955	90	6.8
Third Avenue Railway ref. 4s, due 1950	54	8.0
St. Louis & San Francisco prior lien 4s, due 1950	67	6.7
Western Pacific 1st 5s, due 1946	81	6.7

By dividing your funds equally among these issues you would realize something over 7% on the total investment, and we believe you would have a very well diversified list and that there would be a fair chance of the principal appreciating in value.

AMERICAN SUMATRA TOBACCO

Switch to Butterick Advised

Recently I received a tip to buy American Sumatra and I now have a few points profit. Is this a good stock to hold or had I best be satisfied with the profit it now shows me?—H. L. M., Newark, N. J.

American Sumatra Tobacco Co. for the year ended July 31, 1922, reported a deficit of $3 million and for the year ended July 31, 1923, a deficit of $500,000. Nothing is being paid on the preferred stock, and accumulated back dividends now amount to 14%. It can readily be seen, therefore, that the common stock is not now in a very favorable position. In our opinion, you would improve your holdings by switching this into Butterick Co. selling around 20. Butterick Co. earned $3.53 a share on the stock in the first six months this year, is in strong financial condition, and we consider it closer to dividends than American Sumatra common.

JULIUS KAYSER

Good Earnings Record

Some time ago I purchased 100 shares of Julius Kayser common at 41 and if you think well of the company I am inclined to purchase an additional hundred shares at present price in order to average down my purchase price.—F. D., New York City.

Julius Kayser at present levels seems to have good speculative possibilities. The company's earnings for ten years have averaged $8 a share on the stock, and in the past two years have been $10 a share. On the other hand, competition in the company's lines has increased to a considerable extent, and the company is always faced with the possibility of having to take losses on inventories. It is not a stock, therefore, in which we would advise placing a large percentage of your money. In purchasing speculative issues it is always well to diversify. Instead of taking on any more of this we suggest the purchase of Manhattan Railway modified guarantee selling at 34.

HECLA MINING

Fire Caused Shutdown

About a year ago I bought 200 shares of Hecla Mining at a little under 8 and so far cannot complain of my investment as the stock is not only selling somewhat higher but in addition I received $1.15 a share in dividends in 1923. What is the outlook for dividends now and has the company good ore reserves?—A. G. H., Danbury, Conn.

In July, 1923, a first destroyed the entire surface plant of Hecla Mining Co. and operations were discontinued. The company expects to resume operations by the middle of January and it is hoped that millions 7% preferred and 265,862 shares of common stock of a par value of $20. Cash dividends on the common are only being paid at the rate of 80 cents a share, but December 31 a stock dividend of 20% was paid. As a result of the small cash dividends paid the company has built up a strong financial structure and increased its plant facilities and property holdings. In 1922, net earnings after all charges were equivalent to $12.18 a share on the

SPECIAL REPORT DEPARTMENT

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221,552 shares of common then outstanding. Both sales and earnings increased considerably in 1923, which was the best year in the company's history. Net income of this company has shown an increase every year for the past ten years. We consider the stock a very good long-pull holding.

BUILDING UP A MARKET POSITION

SPEAKING with a trader, who has made his living by trading in stocks for over twenty years, and making on the average between $25,000 to as high as $50,000 yearly, the writer was fortunate enough to gain some practical "pointers" that are here set down for the edification of our readers. The writer learned, for example, that he is "still long on this market," and that his profits were over $40,000 last year. We learned that he seldom trades "in and out" according to the accepted method, although he violates (ostensibly) a rule that we have been uttering caution against. He "hangs over the ticker" from 9.59 A. M. to 3.01 P. M., eats an apple for lunch (at the ticker), listens to the conversation sympathetically enough (but takes nobody else's advice), and is not averse to handing out his own opinions (when asked for them).

This is not at all like the picture of the mysterious figures behind market movements, in our imagination. And I am assured that his prototype is not rare in Wall Street. He represents, what the old-timers would call one of "the old school." He notes the averages mentally, reads the financial page, and has an uncanny memory for "highs, lows, double tops and double bottoms," which confirms his respect for technique.

Really a Long-Pull Trader

In the first place, he touches nothing but the highest grade, most marketable, active, listed securities, that he can watch every minute. He has never in his entire lifetime bought or sold a "Curb" stock, an "over-the-counter" stock, nor an "unlisted" security of any kind, shape or sort—which is quite a record. He claims that there are many of that kind just as good (and better) than listed stocks, but one of the essentials is lacking—a close, quick market that he can watch.

Judging then from this highly successful experience, to do likewise, confine attention to the best, to a limited few, and place yourself in a position either to watch them personally, or have someone who understands do it for you. This is rather a strong argument favoring our own services of this kind, we know, but the proof of success is right here.

Building a position is a method that will supplement our former observations on the scale plan. It is an additional method, largely used by successful investors as well as traders. It is a pyramid in some ways, but it is on such a broad foundation that, unlike the speculative pyramid built up out of pa-

(*Please turn to page* 559)

How to Get More Safety and More Yield on Your January Investments

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Current Bond Offerings

OWING to holiday influences the first week in January was an extremely quiet one among bond houses. Volume of new issues fell to insignificant proportions, the largest issue being the $16,000,000 bond offering of the Gulf Oil Corporation of Pennsylvania. This was a short-term flotation running from one to three years. The coupon rate was 5½%, and the bonds were issued at prices to yield 5.25-5.60%, depending on the maturity. There was a negligible issue of new municipal bonds. By the middle of the month, conditions are expected to become normal again in this market.

NEW BOND OFFERINGS

STATE AND MUNICIPAL	Amount	Yield Off'd (%)
Portsmouth, Va....	$981,000	4.90
Oyster Bay, N. Y...	365,000	4.40-4.50
Cleveland, Ohio.....	700,000	4.50-4.60
Biloxi, Miss.........	200,000	5.20-5.25
INDUSTRIAL		
Gulf Oil Corp. of Pennsylvania	$16,000,000	5.25-5.60

Among potential borrowers are many large public utility companies, which expect to expand their facilities during the coming year. The railroads, which borrowed over one billion dollars last year, are expected to come into the market for funds equally large. Industrial corporations will also be conspicuous for the amount of funds they will borrow.

The money market is in an exceptionally good position to stand the pressure which new financing will bring against it. The reservoir of investment funds is large, and there should be little difficulty in the way of prosperous companies that desire to do their financing in 1924.

Money Conditions

As of the week of January 12, there was an enormous advance in the Federal Reserve ratio to about 78½%, marking an advance of about 4.5% from the week previous. Such a large increase in so short a space is very unusual and indicates the cumulative effect of underlying influences. Of particular importance is the reduction in amount of bills held by the member banks, as a result of the shrinkage in business demands for funds up to this time. With such conditions at work, it is only inevitable that money should become cheap. In fact, the result was directly seen in the call money market where funds were quoted as low as 3¾% for the first time in a considerable period.

Inasmuch as the entire securities markets depends greatly on the position and outlook for the money market, it is obvious that the current and prospective ease in the situation should lead to a situation where a large volume of available funds for investment would become available.

This, of course, is of great importance to the financing of new enterprises or refinancing of companies already well established. Despite the large volume of funds available for such purposes, it is to be doubted that there will be any marked reflection in the rate of interest offered in regard to new securities, except possibly in the case of the strongest companies with unimpaired credit. Nevertheless, the availability of funds for all legitimate purposes should stimulate this market to a greater degree than that seen for some time. The year 1924 contains promise as one which will witness as large an amount of financing as in any recent year.

SHOULD ST. PAUL INVESTORS HOLD, SELL OR SWITCH?

(Continued from page 501)

reorganization without receiving any interest for perhaps several years can afford to speculate on the St. Paul emerging from its present predicament. As previously mentioned it appears probable that the road will retain its solvency. **Those, however, who are not in a position to assume a risk of this character should not continue to hold these junior bonds, but should transfer their investment into securities the stability of the income upon which is more certain.**

POSITION OF STOCKS

The preferred stock of course is in a speculative position as attested by the long decline from much over par to current levels in the lower twenties. Unless a remarkable transformation occurs this year in the company's earnings, it is not likely to emerge from the speculative class. The market movements of this stock will be largely influenced by the record of earnings from month to month. **It could have an advance of some modest proportions from these levels, if earnings are favorable, but is nevertheless not recommended as a desirable issue for those seeking new commitments. Those who are holding the stock, however, might continue to hold inasmuch as they already have seen the major part of the loss. Others so inclined might switch into desirable low priced dividend-paying stocks such as Cerro de Pasco.**

St. Paul common, of course, is in a decidedly speculative position and its movements will be sympathetically influenced by those occurring in the preferred stock.

The St. Paul's low earning power is the result of the maladjustment between rates and operating costs in the Northwest. For 1923 income has about equaled fixed charges. A repetition of this showing in 1924 may be expected. In that event the road will probably be able to extend its 1925 maturity. Resort to receivership to lessen the burden of fixed charges is unlikely, but the recovery has not yet been sufficient to definitely place the company out of danger.

The

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INCOME TAX DEPT.

(*Continued from page* 532)

wife will not eliminate the profit to your wife. Under the present law, when a gift is made, the person receiving the gift is in the same position as the person giving the gift, for the porposes of determining gain or loss when the property that is made the subject of the gift is subsequently sold. If, therefore, you were to make a gift of the securities to your wife, she would have to report the same profit as you would.

Q. I and two other persons are engaged in a partnership, and the books show our net worth to be over $200,000. We want to create a corporation and turn over all our assets and liabilities for $500,000 of stock of the corporation, as the true market value of the business is easily $500,000. Would we have to pay a tax on the difference between $200,000 and $500,000?—T. B.

A. No. When property is turned over to a corporation in exchange for stock and immediately thereafter the persons turning in the property own 80% of the stock of the corporation stock, there is no gain or loss to be reported.

Q. In October of this year I was married. From January 1st to September 1st my wife had earned a little over $1,000. Must I report her earnings in my return for 1923, and what exemption will I be entitled to?—A. L.

A. Since on December 31st you were married, for the purposes of your 1923 income-tax return, you will be deemed to have been married throughout the entire year. Accordingly you would have to report the income that your wife had earned during 1923 before marriage, unless your wife filed a separate return, and then she would report her own earnings. The total exemption that you and your wife are entitled to is $2,500, if your combined income is $5,000, or less, or $2,000, if it is over that amount. This exemption can be divided between your wife and yourself, in any manner you see fit.

Q. I am the president of a corporation in which I have a large stockholding interest. The arrangements with the corporation are that I am to get a salary of $10,000 a year, but I am to draw at the rate of $5,000 a year, the balance being credited to me at the end of the year. The corporation will not be in a financial position to pay me this $5,000 credit at the end of this year, although the credit is going to be set up on the books. Will I have to report it as income anyhow?—L. T.

A. No. Since the corporation is not in a financial position to pay you and since you undoubtedly report on a cash receipt and disbursement basis, it cannot be said that you received this $5,000, even constructively, for the money is not available for you.

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Business in 1924

Today you are making decisions which are certain to have an important bearing on what your concern will make or lose during the coming year.

Will business be prosperous and move forward to higher levels during the months ahead? Or is a major downward movement of industrial activity and commodity prices in prospect?

A carefully prepared survey of current business conditions, including a forecast of the probable course of business and commodity prices for the first half of 1924, is presented in a recent bulletin of the Harvard Economic Service.

Executives can secure a copy of this report by addressing

Harvard University Committee on Economic Research

16 Abbot Building
Cambridge, Massachusetts

WILL THE PRESIDENTIAL CAMPAIGN DEPRESS STOCKS?

(*Continued from page* 493)

necessarily one of declining security prices.

The facts of the matter are that the rise and fall of the security markets is controlled, not by any one factor, but by many factors of varying and changing degrees of importance. The outbreak of the World War in 1914, became for the time being a matter of supreme importance overshadowing everything else in its effect upon security prices. When the world and Wall Street awoke to a realization of the real significance of the World War to American industry that event became one of immense bullish importance. In fact after 1914, any news tending to indicate that the war was likely to end resulted in a decline in stocks and news of an opposite nature acted as a strong stimulant to prices.

Same Thing True of Business

While the purpose of this article is to study the effects of Presidential years upon security prices, it is of interest to observe whether the conclusions we have reached apply to the field of general business. Of the ten Presidential years three have been unequivocally good business years and four unequivocally poor business years. One year was about equally divided between good and bad while two showed a considerably greater proportion of good times than bad. Presidential Years showing stock market depression do not always coincide with the Presidential Years showing depressed business conditions.

The year 1908 presents a striking example of divergence in the curves of business and security prices. Marketwise the year was one of almost uninterrupted advance, but in business the year was one of depression and distress in mercantile and industrial affairs. Building construction fell way off, foreign trade declined, railroad earnings went to pot and there was a great increase in commercial failures. In 1907, however, the market had fully discounted the bad times of 1908, and in the latter year was discounting the boom times of 1909.

1912 presents a converse example for it was an uninterrupted period of trade expansion from beginning to end. This was the time of the "Money Trust" investigation and the famous Pujo Committee when J. P. Morgan and the New York Stock Exchange were put on the legislative grill. Business in general, however, chose to ignore political considerations. While the market advanced in the first nine months of the year it broke sharply in the last quarter and while the year as a whole may be regarded as one of advancing prices, it showed the beginning of a long decline which culminated with the closing of the Stock Exchange when the World War began in 1914.

It is apparent, then, that politics and Presidential Years are only parts of a composite of factors which effect business conditions and security prices. To dogmatize and attempt to depend upon them exclusively in arriving at our conclusions in reference to the outlook for the markets and for business in general, is merely to invite the penalties of error. Politics *may* be the dominating factor and again they *may not*.

Speculative Wall Street is tenacious of its beliefs and legends and so one may expect the bug-a-boo of the Presidential Year to make its customary quadrennial appearance until the end of time. It affords a fascinating theme for conversation on the part of those who don't know better and won't know better. They, unfortunately for themselves, form no inconsiderable part of the permanent and floating population of the financial district.

Editor's Note: For a full exposition of the present position and outlook of the stock market read Mr. Wyckoff's Page on page 485.

WILL RAILROAD PROSPERITY CONTINUE?

(*Continued from page* 499)

tract from the value of their investments. Voluntary consolidations would be a benefit to many carriers and even a compulsory consolidation might be beneficial provided it was worked out along economic lines and effected in a just way.

In conclusion, it may be said, for the reassurance of those who expect hard times ahead for the railroads, that the greater part of their fears are purely imaginary. The railroad situation is sounder today than it has been for many years. While volume of traffic and earnings for the first half of 1924 may be under the corresponding figures for the same period of 1923, they will surely be better than in the first half of 1922. There should be further reductions in operating expenses due to lower coal prices in the last quarter of the past year, and generally lower costs for materials and supplies. This factor should aid materially in maintaining a fair level of earnings.

STABILITY THE KEYNOTE OF BUSINESS

(*Continued from page* 506)

the cost of financing. The money diagrams show a stable condition but with a slight tendency to lower levels which may be expected to continue during the late winter.

The condition of our banking system is unusually strong with very high gold reserves and a high reserve ratio. These conditions afford the best of assurances that money will continue in supply, and at moderate rates. On the other hand, the

line showing bank debits indicates no increase in activity as compared with last year, and thus suggests that the general public is fairly well financed and is not obliged to call for new loans.

Foreign Trade Uncertain as Ever

Foreign trade continues to be as uncertain as ever and yet an estimated figure for the entire year 1923 seems to show about $4,200,000,000 of exports or a favorable balance of about $200,000,000. This is running rather close to the wind, so far as the merchandise balance of the United States is concerned, and recent reports from abroad would suggest that no material growth of demand is to be expected, pending some readjustment there that will improve the buying power of Europe. Reparation discussions are in a more favorable posture, but nothing can be expected from them for a good many months at least in any definite way. On the other hand, too, there is ground for believing that French finance is in an unusually unstable condition, a fact which is reflected in the falling value of the franc which is now well below 5c.

THREE ATTRACTIVE BONDS YIELDING A HIGH RETURN

(*Continued from page* 504)

constantly changing conditions in the sugar industry, they have nevertheless shown a fairly high average. For the five years 1918-1922 income after depreciation averaged 1.5 million dollars or more than two and one-half times interest requirements on present funded debt. In the two fiscal years ending October 31, 1922, small deficits were shown after fixed charges, but in the twelve-month period ending October 31st, last, the company reported income of 2.4 million dollars or approximately 4 times interest requirements.

These large earnings resulted in a materially improved condition. Balance sheet as of October 31, 1923, showed current assets of 5.8 millions of which 2 millions consisted of cash and marketable securities. Current liabilities totaled 1 million, leaving net working capital of 4.8 million dollars.

The first mortgage bonds are now quoted around 98 to yield over 7½%. They are redeemable at 110 and interest up to October 1, 1936, and thereafter at prices decreasing 1% annually to maturity. A sinking fund commencing in 1924 will retire $355,000 of bonds annually.

The prospects of Manati Sugar for the coming year are altogether favorable, and equity behind the bonds should be further increased. It is significant that the company took advantage of the relatively low prices prevailing for its bonds during 1923, and purchased $380,000 of them in advance of the time when the sinking-fund agreement will become operative. **The bonds at these comparatively low prices are attractive, offering a high yield and opportunities for enhancement of market value.**

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Condition at the Close of Business December 31, 1923

ASSETS

Cash on Hand and in Banks	$38,387,871.60
Exchanges for Clearing House	45,329,418.22
Due from Foreign Banks	11,731,159.37
Bonds and Mortgages	9,260,264.00
Public Securities	20,639,697.92
Short Term Investments	1,273,362.66
Other Stocks and Bonds	19,254,516.27
Demand Loans	60,111,427.69
Time Loans	30,075,721.50
Bills Discounted	86,928,161.52
Customers' Liability on Acceptances (Less Anticipations)	25,829,094.13
Real Estate	4,518,770.00
Foreign Offices	38,451,387.80
Accrued Interest Receivable and Other Assets	2,231,753.10
	$394,022,605.78

LIABILITIES

Capital	$23,000,000.00
Surplus and Undivided Profits	9,798,393.39
Deposits (Including Foreign Offices)	325,924,539.41
Acceptances (Less in Portfolio)	28,592,915.05
Notes Payable and Rediscounts	NONE
Accrued Interest Payable, Reserve for Taxes, and Other Liabilities	6,706,757.93
	$394,022,605.78

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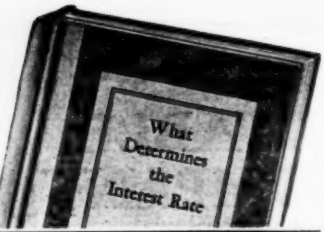
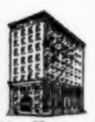


Why does One Bond Pay 7% *and another* Only 6%?

Sometimes a higher interest rate means lessened safety. Sometimes it means a narrower market. But again it may mean that, because of unusual demand for capital in a given locality, borrowers pay a higher rate with the *same* security. How this applies to high grade Southern First Mortgage Bonds and why they are superior investments is told in the interesting book, "What Determines the Interest Rate?" sent to any investor on request.



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UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	98½	6.10
Adirondack Electric Power 1st 5s, 1962	A..	95½	5.28
Alabama Power Co. 1st 5s, 1946	B..	91½	5.65
Appalachian Power Co. 1st 5s, 1941	B..	89½	5.95
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	101½	6.80
Ashville Power & Light 5s, 1942	B..	95	5.40
Carolina Power & Light 1st 5s, 1938	B..	95½	5.45
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	105½	5.45
Colorado Power Co. 1st 5s, 1953	B..	87½	5.95
Consumers Power Co. (Mich.) 1st 5s, 1936	B	96	5.45
Electrical Development of Ontario 5s, 1933	B	94½	5.75
Great Northern Power Co. 1st 5s, 1935	B..	91	6.15
Great Western Power Co. 5s, 1946	B	92½	5.60
Hydraulic Power 1st & Imp. 5s, 1951	A.	98	5.45
Indiana Power Co. 7½s, 1941	B	103½	7.10
Idaho Power Co. 5s, 1947	B..	88½	5.90
Laurentide Power Co. 1st 5s, 1946	A..	93¾	5.55
Madison River Power Co. 1st 5s, 1935	A..	98	5.22
Mississippi River Power 1st 5s, 1951	B..	93	5.50
Nebraska Power Corp. 1st 6s, 1949	B	100½	5.99
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A.	104¼	5.65
Penn.-Ohio Power & Light 8% Notes, 1930	B.	102	7.60
Puget Sound Power Co. 1st 5s, 1933	A	97	5.35
Salmon River Power 1st 5s, 1952	B	98	5.28
Shawinigan Water & Power 1st 5s, 1934	A.	101	4.82
Southern Sierra Power Co. 1st 6s, 1936	A..	100	6.00
Wisconsin Edison Co. 6s, 1924	A..	100	6.00

GAS AND ELECTRIC COMPANIES

	Investment Grade	Asked Price	Yield
Bronx Gas & Electric 1st 5s, 1960	B..	80	5.78
Burlington Gas & Light 1st 5s, 1955	B..	83	6.25
Buffalo General Electric 1st 5s, 1939	A..	101¼	4.98
Cleveland Elec. Ill. Co. 5s, 1939	A..	100	5.00
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	66	7.80
Dallas Power & Light 6s, 1940	B..	101½	5.86
Denver Gas & Electric 1st 5s, 1949	A..	94½	5.40
Evansville Gas & Electric 1st 5s, 1932	B..	95	5.60
Houston Light & Power 1st 5s, 1931	B..	95	5.80
Indianapolis Gas Co. 1st 5s, 1952	B..	84½	6.18
Nevada-California Electric 1st 6s, 1946	B..	94	6.45
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	102	7.30
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	95	6.10
Portland Gas & Coke 1st 5s, 1940	B..	92	5.75
Rochester Gas & Electric 7s, Series B, 1946	B..	109	6.25
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	94	5.60
Syracuse Gas Co. 1st 5s, 1946	A..	94	5.80
Tri-City Railway & Light 5s, 1930	B..	91	6.75
Twin State Gas & Electric Ref. 5s, 1958	B..	80	6.50
United Light & Railway 5s, 1932	B..	89	6.70

TRACTION COMPANIES

	Investment Grade	Asked Price	Yield
Columbus Street Railway 1st 5s, 1932	B..	87½	6.95
Detroit United Railway 1st Coll 8s, 1941	B..	108	7.15
Galveston-Houston Electric Railway 1st 5s, 1954	B..	84	6.17
Kentucky Traction & Terminal 5s, 1951	C..	75	7.15
Knoxville Railway & Light 5s, 1946	C..	82½	6.45
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	93	6.80
Memphis Street Railway 5s, 1945	C..	73	7.55
Northern Ohio Traction & Light 6s, 1926	B..	95½	7.70
Nashville Railway & Light 5s, 1953	B..	87	5.95
Schenectady Railway Co. 1st 5s, 1946	C..	63	8.85
Topeka Railway & Light Ref. 5s, 1953	B..	86¼	6.10

HOLDING COMPANIES

	Investment Grade	Asked Price	Yield
American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101	5.30
American Gas & Electric 6s, 2014	B..	95	6.30
American Power & Light 6s, Series A, 2016	B..	93	6.45
Federal Light & Traction 1st 5s, 1942	B..	87	6.18
General Gas & Electric s. f. 7s, 1952	B	100	7.00
General Gas & Electric 1st 5s, 1925	B	99	5.70
Middle West Utilities 8s, 1940	A..	107	7.20
Standard Gas & Electric 7½s, 1941	B..	103	7.10

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Asked Price	Yield
Bell. Tel. Co. of Canada 1st 5s, 1925	A..	98½	5.40
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	94	5.50
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	95½	5.45
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	98¾	5.25

HYDRO-ELECTRIC BONDS IN FAVOR WITH INVESTORS

January Investment Demand Below Expectations but Should Develop Later on—New Financing by Market Street Railway

THE unlisted public utility issues were a trifle more in demand though there was evidence to the effect that bids were much firmer, especially among the hydro-electric issues. The traction issues were not in demand to any extent, and there were a few of these issues which showed some fair-sized declines in the offering prices. In the hydro-electric group, Niagara Falls Power consolidated 6s of 1950 continued to advance, and best offering price reported was close to 105. Shawinigan Water & Power Co. first 5s seemed to be scarce, and brokers quoted them above par at which price the yield was slightly less than 5%. However, no actual sales above par were reported. Many other issues have shown moderate advances.

Among the traction issues which were offered at more favorable prices was Schenectady Railway Co. first 5s of 1946 which were reported as being available at around 63 at which price the yield was close to 9%. This represents a decline of about three points compared with recent offering price. Memphis Street Railway 5s of 1945 were offered at 73, off a point, and Knoxville Railway & Light 5s of 1946 at 82½, off ½.

In investment circles, it was stated that a good deal of what buying there has been during the past few weeks has been attributed to buying by traders on the strength of reported inquiries from large institutions. On the whole, sentiment was optimistic and a moderate advance in quotations during the next few months seems logical.

Market Street Railway Financing

Financing by Market Street Railway Co. for the purpose of refunding 5% bonds and 6% notes which mature in the Spring, was the outstanding feature to new financing. The rate of interest on the new bonds was a little higher than expected, the issue being a 7% bond of which $13,000,000 was sold to bankers. However, the issue was sold at par, yielding 7%. This bears out what has been stated in this column several times recently: that new issues which are coming out should offer some attractive yields to the investor. As a traction issue, the financing was about in line with what others are doing. Operating on a five-cent fare continuously, the company is able to show dividend requirements on the prior preferred stock earned twice over while interest on the present and future funded debt is being earned about 2½ times which is a fair average for a traction property. Negotiations for the sale of the property were reported as still being under way. For this reason, the call price on the bonds was looked upon favorably. Bonds can be retired to April, 1926, at 107½, and thereafter at a decline of ½% each year.

THE NATIONAL CITY COMPANY
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January Financial Thoughts

IF THE dollars you have worked for during the past twelve months have slipped through your fingers, and you have failed to increase your funds by sound investment, it would be well for you to give thought for the future as the new year unfolds.

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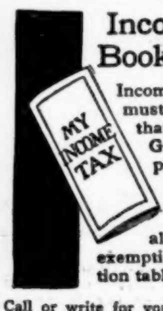

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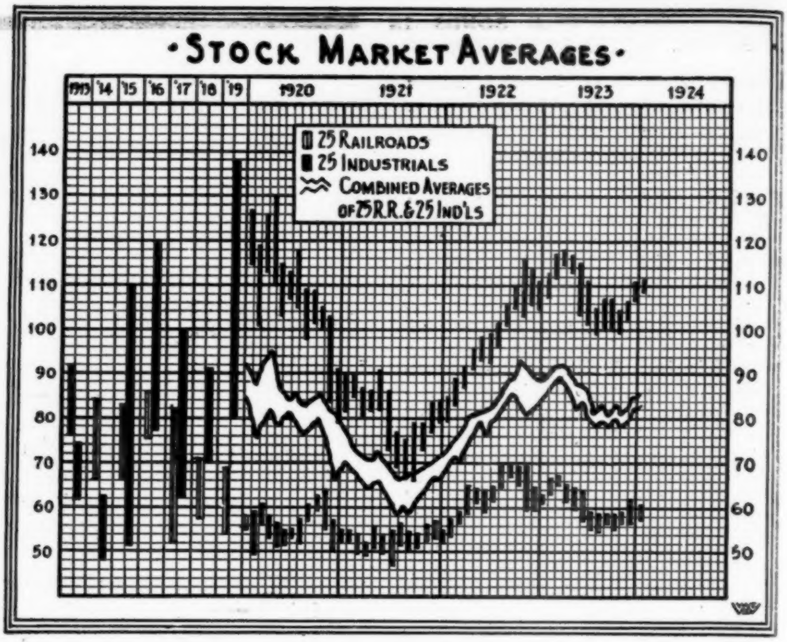
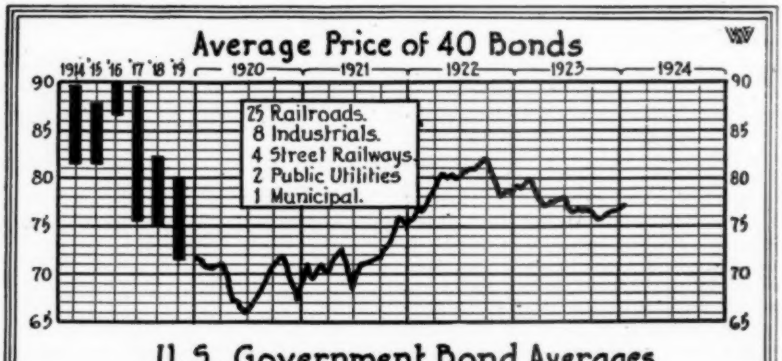
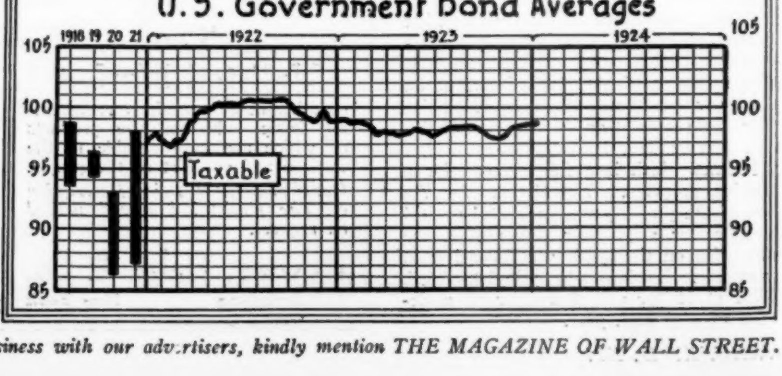


MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Friday, December 28...	76.56	95.12	80.10	83.66	82.66	1,096,679
Saturday, Dec. 29......	76.55	95.23	80.62	83.88	83.17	748,985
Monday, December 31..	76.71	95.52	80.86	84.49	83.52	1,112,693
Tuesday, January 1.....		H O	L I	D A	Y	
Wednesday, January 2..	76.71	95.65	80.79	84.57	83.28	859,170
Thursday, January 3....	76.99	94.88	80.76	84.40	83.31	1,012,199
Friday, January 4......	77.12	95.40	81.01	84.33	83.48	817,775
Saturday, January 5....	77.15	96.26	81.33	84.93	84.27	598,333
Monday, January 7.....	77.28	96.54	81.78	85.49	84.58	1,319,001
Tuesday, January 8.....	77.45	96.77	81.93	85.75	84.69	1,272,800
Wednesday, January 9..	77.75	97.04	83.06	86.03	84.91	1,336,240





CAN YOU BEAT THE MARKET BY A SYSTEM?
(*Continued from page* 496)

movements of securities, but have never been able to achieve more than temporary successes. Charts and graphs have their place in the scheme of things financial, and sometimes a very important place, but they cannot be solely relied upon in making market commitments. It is the business and highest skill of the successful manipulator of stocks to make things "seem like they ain't." He strives to make what really is accumulation appear on the chart as distribution and vice versa. One very successful device employed recently, has been to "break" the stock suddenly down through an area of what seems accumulation to mislead the chart reader into thinking what seemed accumulation was in reality distribution. Having got the chart followers short on the false downward move the manipulator proceeds to lock them in by speedily "marking up" the issue.

To discuss in detail all the "systems" which have been devised to beat the market in the last fifty years would take as many volumes as the Encyclopaedia Britannica. Some of them are utterly foolish and some, on the other hand, are highly ingenious and contain much of considerable merit. The editor of this publication in his thirty-five years' search for the answer to the mystery of what makes prices go up and down, has examined more "systems" and "methods" than perhaps any ten men in this country. Every system at some one point or another fails to achieve its objective. It will always be so, for market movements are the results of thoughts in the minds of men, and the minds of men can never be charted in advance or reduced to mathematics.

A Matter of Personal Judgment

The successful market observer, then, does not rely upon any one thing but rather in a combination of things. Primarily the action of the tape is his guide, but in reference to that he requires corroboration from the fundamentals and also from the position of the stock as disclosed by his charts or "graphs," as they are called. When the action of the tape is corroborated by other factors he feels reasonably sure of the position which he then takes. But he is always alert to change that position suddenly if the dials of his compasses swing in another direction.

The market operator, among other varied qualifications, must have the instinct of the successful detective. The movement of stocks upward or downward is his quarry. He analyses and endeavors to give proper importance to all the factors which go towards controlling the movements of the quarry. His market instinct or judgment has become highly developed. It is individual and cannot be delegated to someone else. It is the outgrowth of years of study and actual experience. Such can never be reduced to an exact system.

Application of the

Transportation Act

to the

Reorganized Roads

with special reference to

Wabash Securities

outlined in our letter

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Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

American Arch (5P)	82 — 85
American Book Co. (6)	91 — 94
American Cyanamid (4)	82 — 86
Pfd. (6)	72 — 75
American Thread pref.	3⅞— 4¼
Amer. Type Founders (7)	98 —100
Pfd. (7)	x 98 —100
Atlas Portland Cement (4)	x83 — 88
Babcock & Wilcox (7)	111 —115
Borden Co. (8)	123 —125
Pfd. (6)	102 —104
Bucyrus Co.	58 — 62
Pfd. (7A)	102 —107
Celluloid Co. (6)	75 — 80
Crocker Wheeler (1¾)	28 — 34
Pfd. (7)	x78 — 85
Curtiss Aero & M.	13 — 14
Pfd.	38 — 43
Eisemann Mag. pfd. (7)	50 — 54
Franklin Rwy. S. new w. i.	87 — 93
Jos. Dixon Crucible (8)	135 —140
Ingersoll Rand (8)	170 —178
Johns-Manville, Inc. (3P)	90 — 95
McCall Corp'n	51 — 55
Pfd. (7B)	114 —118
New Jersey Zinc (8P)	143 —148
Niles-Bement-Pond	43 — 46
Pfd. (6)	75 — 85
Phelps-Dodge Corp'n (4)	135 —145

Poole Engineer'g (Maryland):	
Class A	21 — 23
Class B	12 — 14
Royal Baking Powder (8)	125 —135
Pfd. (6)	97 — 99
Safety Car H. & L. (7)	92½— 94
Savannah Sugar	61 — 64
Pfd. (7)	80 — 83
Singer Mfg. Co. (7)	126 —127
Superheater Co.	x117 —120
Technicolor, Inc.	9¾— 10½
Thompson-Starrett (4)	58 — 65
Victor Talking Mach. (8)	147 —152
White Rock	K 9½— 10½
2nd Pfd. (5)	54 — 58
1st Pfd. (7)	80 — 85
Yale & Towne (4)	62 — 64

* Dividend rates in dollars per share designated in parentheses.

P—Plus Extras.

A—Arrears of 9% being discharged at regular intervals.

B—Arrears of 27¼% being discharged at rate of 7% annually in addition to regular dividend rate.

x—Ex-Dividend.

K—Dividend rate on this stock not established.

MANY developments of interest to holders of Over-the-Counter securities occurred during the fortnight just ended. Brief notes on the more important of these developments are offered in what follows:

American Arch: Demand for this issue continued good at slightly higher levels. The stock is obviously going through what the professionals would call an "orderly advance." Factors which led the Over-the-Counter Department to encourage commitments in this security have in no wise lessened, and those committed to it would, it is believed, best serve their interests by standing pat. The security, of course, is income-producing, and there are reasons for believing that the rate of return will increase. American Arch is recommended for investment at present prices.

American Type Founders: References to this company's record, published in the last two issues, proved timely. Also, the actions of its securities have more than borne out the confidence frequently expressed in it.

News not published here before, but released some days ago, relates to an offering of 20,000 shares of common stock by the company, bringing the issued common capital up to $6,000,000. Common stockholders, under the terms of the offer, are privileged to subscribe to the new stock at par (100) in the ratio of 1 new share for every 2 shares held. Subscription privilege expires February 1st, next. Preferred stockholders are also invited to enter subscriptions, subject to the right of common shareholders to take the entire amount.

Earnings of the company, as pointed out here before, have been uniformly good for a long period of years. Also, its dividend-paying record has been very impressive. On the common capital, taking the new offering into consideration, last year's earnings (to August 31, 1923) were the equivalent of well over $16 per share, against the current dividend rate of $7. Future earnings are almost certain to be larger, helped by the extension of the company's manufacturing facilities, and a dividend-return of something more than $7 per share is anticipated by officials.

Those who have become holders of American Type Founders on this Department's suggestion are advised to retain it.

Borden Co.: In accordance with its policy, the Borden Co. has declared the regular semi-annual dividend of $4 per share.

Bucyrus Co.: Demand for Bucyrus common widened out and, as our table shows, several points were added to its market value as a result. The common is fulfilling the expectations frequently outlined here, viz., it is slowly discounting the complete erasure of preferred

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merchandise as blocks of stock, in which dividend arrears and its own establishment as an income-bearing issue. The final discharge of preferred arrears, however, may occur sooner than was originally anticipated.

Niles-Bement-Pond: This issue was one of the strongest on the list, being quoted over 10 points above the price of two weeks ago. Its strength is attributable to certain specific developments which are likely to be brought out at the next annual meeting of the corporation.

Eisemann Magneto: Much more suddenly than had been anticipated, the preferred shares of the Eisemann Magneto Corporation began to discount the company's greatly improved position, as brought out here in the last issue. The stock which was quoted 38 @ 43 two weeks ago is quoted 50 @ 54 at this writing. Readers are referred to the analysis of the company presented on page 465 of the January 5th number. The stock is still regarded with favor from a speculative viewpoint.

Superheater Co.: Superheater was quoted "ex" a cash dividend of $10 per share on January 5th. It is now "ex" a new dividend of $1.50 per share, making payments so far this year $11.50 per share. Holders who may be tempted to liquidate this security by reason of the large market appreciation it has enjoyed may be reminded that not many other securities enjoying so wide a margin of earnings and so liberal a dividend-income as are to be found at Superheater's present price-level.

Savannah Sugar: The common shares of the Savannah Sugar Refining Corporation have been among the issues most frequently recommended here for specvestment. It is, therefore, a satisfaction to be able to record the inauguration of dividends on this issue of $1.50 per share, payable February 1 to stock of record January 15. This dividend is presumed to establish an annual rate of $6 per share, which would give Savannah Sugar an income yield of close to 10% at current levels. The department continues to regard it with favor.

White Rock: White Rock's earnings in 1925 have been unofficially announced and show the best year in the company's history. Earnings applicable to dividends were about $800,000, equivalent after 1st preferred dividends to about $13 per share on the 10,000 shares of 2nd preferred outstanding and to over $2.60 per share on the present common stock.

INTIMATE TALKS WITH READERS

(*Continued from page* 534)

money involved, in so large a unit of money involved, in so large a unit of so little of 'what it's all about' is evident. That's why seventy-five per cent or more of average margin traders lose out, and why their money finances the winning twenty-five per cent besides keeping the machinery of Wall Street going."

We note that last year nearly a quarter billion shares changed hands on the New York Stock Exchange alone. A very small percentage indeed were for *investment* account. The great bulk of this huge turnover represents margin trading, whether for individuals or speculative pools.

If we were able to reduce the actual *knowledge* involved by those who contributed to this immense turnover to an efficiency basis, we are afraid that the angle would be distinctly one of low visibility, to be generous let's say twenty-five per cent of essentials.

"The amazing ignorance" referred to by the old-timer would cover procedure and practice, including terms, definitions, and routine that the experienced Wall Street man (more scarce than most people imagine) would consider too elementary to talk or write about. The man able to buy 100 shares of N. Y. Central on a $2,000 margin would consider it beneath his dignity to ask his broker just when he will see that next dividend appear in his monthly statement. How many brokers receive indignant and even sarcastic requests to be kind enough to credit that overdue dividend in the *next* statement.

If it is a thirty-day month, and statements are mailed that night or the morning after, that N. Y. Central dividend will *not* appear if the stock sold ex-dividend on the 30th. The "ex" date has nothing whatever to do with the date of payment. The broker can ignore it until he actually *receives and cashes* the corporation check! Usually in big corporations anywhere from 15 days to 6 weeks can elapse between the "ex" dividend date—a date by the way fixed by the Governing Board of the Stock Exchange—and the date of payment by the corporation.

Many people pay little regard to the fact that many corporation books close for the transfer of stocks, which is done to enable such corporation to get its list of holders entitled to dividends, and the amounts thereof in order. An individual buying for cash will not personally get the dividend from the *corporation*, if the stock was bought after the books were closed, but is entitled to get his check from the person (or broker) from whom he bought, if he bought it prior to the "ex-dividend" date. This is confusing unless one familiarizes himself with the procedure: very simple when understood.

The nub of the situation is the resolve not to nurse one's ignorance in 1924. It's an expensive boarder. It's distinctly passé. Consider in your Wall Street commitments that your ignorance died out in 1923, and that every trade, whether for investment or speculation, in 1924 will be based on two things: a good reason for giving the order; thorough knowledge of every step involved. We assure you earnestly that 75 per cent of your troubles will be over with the adoption of such a resolve, and that your commitments will show at least 33 per cent more profit in 1924.

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Municipal Bonds

HIGHER GRADE MUNICIPALS

		Rate Interest	Maturity	Approximate Yield
N	Oregon, Highway Gold	4½	1935-37	4.40
N	Minneapolis	5	Oct. 1927	4.50
N	Baltimore ....Reg.	4	1961	.96
	Dubuque, Iowa	4¾	July 1940	4.50
	Denver, Colo.	4½	Aug. 1948-53	4.37
	Denver, Colo.	4½	Nov. 1948/28	4.40
N	Hawaii	4½	Oct. 1953/43	4.40
N	Minneapolis	5	Apr. 1936	4.50
	Akron	5	1926-33	4.75
N	Chicago	4	Jan. 1927	4.50
N	Cincinnati ....Reg.	4½	Sept. 1933	4.40
N	North Carolina	5	Feb. 1947	4.65
N	North Carolina	5	July 1961	4.63
N	Alleghany County, Penna.	4	March 1936	4.40
N	North Dakota	6	Jan. 1947	5.00
N	Rye, N. Y., Schl. Dist. No. 2	4½	1947-49	4.35
	Kansas City, Kans.	4¾	Dec. 1943	4.60
N	Tennessee	5¼	July 1929-40	4.50
	Portsmouth, Va.	5	Jan. 1944	4.80
N	Sea Cliff, N. Y.	5	Nov. 15, 1924-33	4.40
N	Utica, N. Y. ....Reg.	4½	July 1924-31	4.15
N	Iowa	4¼	Dec. 1932	4.45
	Montgomery, Ala.	5½	Jan. 1954	5.00
	Omaha, Neb.	4½	March 1943	4.50
N	West Virginia	4½	Apr. 1942	4.45
N	Los Angeles	4¾	Oct. 1939	4.60
N	North Dakota	5¾	July 1928	5.00
	Port of Astoria, Ore.	6	Jan. 1938	5.75
N	Detroit, Mich.	4½	Jan. 1939	4.50
N	Providence, R. I. ....Reg.	4	Nov. 1936	4.30
N	San Francisco	4½	July 1936 & 59	4.50
N	West Virginia	5	July 1929	4.60
N	Toledo, Ohio	5	1926-35	4.50
N	Michigan	4½	Dec. 1943	4.35
N	Toledo, Ohio	4½	1940	4.40
N	Atlantic County, N. J.	4½	Dec. 1929-30	4.50
	Charleston, S. C.	4½	Jan. 1962/42	4.60
N	New Mexico	5	Jan. 1952/32	4.50
N	Kansas	4½	July 1961-34	4.40
N	Philadelphia	5¼	1971/41	4.20
N	Idaho	4	May 1931	4.40
	Kansas City, Mo., S. D.	4½	Jan. 1943	4.50
N	Chicago	5	Jan. 1935-36	4.40
N	Missouri	5	March 1930	4.40
	Richmond, Va.	4	1943 & 1948	4.50
N	Illinois	4¾	Aug. 1928-43	4.40
N	Detroit, Mich.	5	May 1948	4.60
N	Lansing, Mich.	4½	Jan. 1927-28-29	4.50
	Ashtabula, Ohio, Sewer	5½	Oct. 1927-47	4.80-4.75
N	Manchester, N. H.	4	1927-35	4.45-4.40
N	St. Louis	4½	1934-40	4.30
N	Columbus, Ohio	5	Nov. 1937-40	4.45
	Knoxville, Tenn.	4¾	Nov. 1927-48	4.75
	Miami, Fla.	5	1930-40	5.00
N	New York City	4¼	March 1960/30	4.25

N—Legal for Savings Banks in New York State.

If the "Radicals" Won the Country

A Glimpse Into the Not-Impossible Future

By HARVEY A. GLIDDEN

I had wandered a weary way from a weary land, and I searched truth. In my land there was discontent, and men were longing to overthrow the order of things as they are, and I wanted knowledge of how their efforts would turn out.

I climbed the dark stairs of an ancient house, and I came upon a Seer, who sat peering into a magic crystal. I told him the errand on which I had come, and he reached me the crystal, saying, "Look, and tell me what you see."

THERE was once a rich and prosperous country, blessed with more abundant natural resources than any other in the civilized world, with prairies and sheep ranges, with wells of petroleum and mines of copper and coal. But the people were not happy—they said that the country was being ruined by monopoly. They said that big trusts were crushing the small business man, and were rigging up tariff laws which taxed the pocketbook of the consumer. They demanded "Freedom for Business"—freedom of trade, freedom of industry and freedom of commerce, in short, freedom of competition.

Long time their prayers remained unanswered. Then one fine day came a troop of young Lochinvars out of the West, hight "radicals" by name. With blowings of horns and of trumpets they announced that they would strike the

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shackles of Monopoly off the limbs of Business, and with many hackings of their somewhat rusty swords, which struck the prisoner as often as his chains, at last Business was free.

All Fear Removed

Henceforth every man at his pleasure could mine metals and open stores and build railroads and manufacture sewing-machines, with no fear that the monstrous jaws of Big Business (the other name of the horrid giant Monopoly) would open and swallow him when he had reached a suitable size. Restrictive laws were abolished—there were no more tariffs, no more bothersome government commissions, but each man could earn his money as he listed, unhelped and unhindered by any superior power. The Economic Man, following nothing but his own self-interest, reigned supreme, and the doctrine of the sages of Manchester was fulfilled.

According to the doctrine, everything should have been perfect and all men happy. Each man and each locality should have engaged in that kind of business for which they were best fitted, and the best good of each should have been the best good of all. The clang of workshops and the shouts of traders in the (free) markets should have filled the air.

But instead subtle voices of discontent arose. The strong and the guileful and the ambitious and the creative met together and said, "Competition is free, is it not? It has the right to do anything that it wishes. Therefore it has also the right to commit suicide. For none could say it nay but by opposing to the rights of free business a force superior to free business, which is repugnant to our new freedom."

And so in all the fields and branches of business, wherever a man might cast his eye, there arose little groups and bands and associations of the energetic and the enterprising and the wilful. At first they made no overt compact, but had informal understandings and gentlemen's agreements.

Consolidation!

Later, they would form pools and trade associations, and still later, two or three of them would merge into a larger unit, which in turn, snowball fashion, would have enough gravitational power to attract to itself smaller units and so build up finally a huge aggregate of business capital and organization.

And the voices of protest grew louder in the land, but there was none to say them nay, for was not business free to do what it listed and go where it wished, so long as there was money in it?

And it was not long before there was an organization of Big Business in the land, similar in every jot and tittle unto the Big Business (whose other name is Monopoly), which the young Lochinvars of the West had so manfully destroyed.

Perversity Itself

And in the rich and prosperous country, blessed with more abundant natural resources than any other in the civilized world, the people were not happy. They

(*Please turn to page* 554)

Brandon, Gordon & Waddell

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City of Dallas, Texas	4½%	1933	4.60%
City of Garfield, N. J.	5½%	1929	4.875%
State of North Dakota	5%	1934	4.90%
City of Little Rock, Ark.	Disc.	1924	5.00%
City of Beaumont, Texas	5¼%	1926-36	5.00%
Jefferson County, Ala.	6%	1944	5.00%
Hamilton County, Fla	5%	1948	5.25%
Eastland County, Texas	5½%	1937-48	5.30%
Lake County, Fla.	6%	1951	5.40%
City of Dothan, Ala.	6%	1941	5.50%
Province of Alberta	5½%	1928&'33	5.50%
City of Edmonton, Alberta	5½%	1947	5.75%
City of Calgary, Alberta	7%	1928	6.00%
Municipality of Dauphin, Mani.	6½%	1928	6.25%

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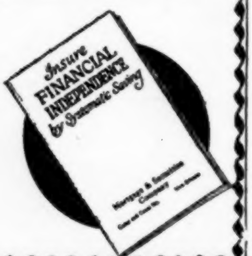

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BANK STOCK REFERENCE TABLE

NATIONAL BANKS

Name	Dividend Rate $	Par Value	Book Value Sept. 15, 1922	Book Value Sept. 14, 1923	Recent Market $ Per Share Bid	Recent Market $ Per Share Asked
American Exch.	15 Q J	$100	x$257	$262	292	296
Bronx	10 J & J	100	231	148	125	135
Butch's & Drvs.	6 Q J	100	143	130	140	147
Chase	A 20 Q J	100	x209	x216	347	351
Chatham Phoenix	16 Q J	100	193	193	254	257
Chemical	24 Bi-mo J	100	456	468	542	549
City	B 20 Q J	100	x227	x231	347	352
Coal & Iron	12 Q J	100	198	186	210	...
Commerce	C 12 Q J	100	251	256	305	308
East River	12 J & J	100	183	183	200	210
Fifth	9 Q J	100	188	199	235	245
First	D 40 Q J	100	x574	x659	1410	1430
First Nat., B'klyn	E 12 Q J	100	297	315	385	400
Garfield	F 12 Q M	100	262	204	275	285
Gotham	12 Q J	100	199	194	145	155
Hanover	24 Q J	100	510	538	710	...
Harriman	G 10 J & J	100	264	281	325	335
Mechanics & Met.	J 20 Q J	100	276	268	386	391
Nassau Nat.	K 12 Q J	100	257	268	250	...
Nat. American	....	100	153	151	140	150
Park	24 Q J	100	337	340	418	425
People's Nat.	H 8 J & J	100	270	288	245	...
Public	16 Q J	100	265	259	350	365
Seaboard	L 12 Q J	100	273	284	380	...

(A) Includes $4 paid by Chase Securities Corporation. (B) Includes 2% and 2% extra paid by National City Co. quarterly. (C) 4% extra Jan., 1923. (D) 10% extra paid by First Securities Corp., January, 1923. (E) 2% extra January, 1923. (F) 3% extra January, 1922; 5% extra July, 1922; 5% extra Jan., 1923; 5% extra July, 1923. (G) 5% extra July, 1922, and 5% extra January, 1923. (H) 2% extra July, 1922; 2% extra Jan., 1923; 2% extra July, 1923. (J) 2% extra July, 1922, and 2% extra January, 1923. (K) 3% extra January, 1923. (L) 2% extra January, 1923. (‡) Capital increased during year.

TRUST COMPANIES

Name	Rate $ Dividend	Par Value	Book Value Sept. 15, 1922	Book Value Sept. 14, 1923	Recent Market $ Per Share Bid	Recent Market $ Per Share Asked
Bankers	20 Q J	$100	$225	$221	351	358
Bank of N. Y. & Tr. Co.	20 Q J	100	395	402	490	496
Brooklyn	24 Q J	100	309	334	480	490
Central Union	24 Q J	100	253	274	510	517
Commercial	6 Q J	100	135	135	110	120
Empire	C 12 Q J	100	227	205	295	305
Equitable	12 Q J	100	229	‡144	195	198
Farmers L. & T.	24 Q F	$100	397	423	585	595
Fidelity—Int'l	10 Q J	100	222	‡197	195	205
Fulton	12 Q J	100	247	260	255	265
Guaranty	D 10 J & J	100	170	178	251	254
Hudson	10 Q J	100	245	‡231	225	...
Irving Bk. Col. Tr. Co.	....	100	...	165	213	216
Kings County	40 Q F	100	770	830	850	...
Lawyers T. & T.	E 8 Q J	100	267	‡191	195	200
Manufacturers	G 12 Q J	100	210	‡200	275	...
Metropolitan	16 Q M 31	100	286	301	310	320
Midwood	....	...	158	148	150	160
New York	20 Q J	100	273	283	354	359
People's	20 Q J	100	273	292	390	410
Title Gr. & Tr.	K 12 Q J	100	294	‡236	388	393
U. S. Mtg. & Tr.	M 16 Q J	100	250	248	300	305
United States	50 Q J	100	909	961	1285	1305

(C) 1% extra July, 1922; 4% December 30, 1922. (D) 2% extra January, 1922. (E) 2% extra July, 1922; 2% January, 1923; 1% extra July, 1923. (G) 2% extra October, 1922. (K) 4% extra June 30, 1922; 3% January, 1923; 4% extra July 2, 1923. (M) 4% extra January, 1923. (‡) Capital increased during year.

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The 1923 Record of Results

OF

The Investment and Business Service

Here is the 1923 Record of the Technical Position (Trading) Department of The Investment and Business Service of The Magazine of Wall Street.

If you had bought and sold 100 shares of each stock recommended in that department during the year, you would have realized a gross profit of $78,950.00

Less an allowance of $40 per round turn on each 100 shares, to cover commissions both ways and tax (this is liberal) 23,560.00

Leaving you a net profit of $55,390.00

In order that you may understand just how we have secured these results, we give below a tabulation showing the record of the fourteen campaigns which were closed during the year:

Number of Stocks	Campaign ending	Position	Losses	Profits	Net Loss	Net Profit
53	January 4	short	36	312	....	276
39	January 27	short	55⅞	14⅜	41½	....
58	March 16	long	3¾	208¾	....	205
47	April 21	long	58¾	28⅜	30⅜	....
18	May 26	short	7	167½	....	160½
12	June 20	long	32	....	32	....
19	July 6	short	5¾	8⅛	....	2⅜
24	July 28	long	33⅞	18	15⅞	....
62	Sept. 7	long	24⅛	206⅝	....	182½
43	Sept. 19	long	36	7⅞	28⅛	....
60	Oct. 9	long	58⅜	54⅛	4¼	....
32	Oct. 31	short	53⅜	10⅝	42¾	....
52	Dec. 10	long	11	211¾	....	200¾
30	Dec. 27	short	53⅜	10⅝	42¾	....
					237⅝	1027⅛

The actual profits realized by most of our subscribers were much larger than this, for the largest profits were made on the commitments undertaken at the beginning of the campaigns, while the smaller profits were made in transactions which were added later, for the benefit of new subscribers. For example, when we recommended the original purchase of a stock at 50 and it advanced to 60, we would not feel like advising the purchase of that stock at the advanced price; but we would mention other stocks which had not moved so rapidly—and in cases where the campaign was closed out shortly afterward these additional stocks did not have time to move as much as the stocks bought at the beginning of the campaign. This, of course, reduced the average net profit per stock. On the original recommendations the total net loss was 187¼ points and the total net profit 901⅜ points.

Note that net losses on the unsuccessful campaigns were comparatively small, averaging less than one point per stock; but on the successful campaigns the average profit amounted to about four points, and thus a substantial percentage of profit is shown in the final result.

Investment Gains Added to Year's Profits

This record does not take into account the additional liberal profits realized by those who operated on the advices contained in the Investment Indicator in which dividend paying stocks were purchased when the time appeared to be right, and sold out when signs of weakness or an important turning point developed; nor does it include any estimate of the invaluable advices furnished to investors and business men covering the many sound bond issues we pointed out for income only, or bonds, preferred stocks, etc., for income and profit. Nor the Business Outlook in which the entire field was summarized into a few brief paragraphs: our Trade Tendencies, Money, Credit, Banking and Foreign Trade indications. Nor is it possible to compute the profits made and losses averted through the direct personal advices of the Inquiry Service which is a part of the Service.

Put your trading and investing on a business basis. Busy people do not have time to hang over a stock ticker and watch the confusing procession of fluctuations in five or six hundred different stocks. We extract the meat from the market situation and give you the essence of its money-making qualities. We do this at a cost to you of less than $3 per week (you pay an office boy $3 a day nowadays).

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A check for $50 covers a three months' trial subscription. You can, at your option, complete the year by paying an additional $100 to cover the remaining nine months. Our subscribers already have substantial profits in the campaign just initiated, although it is only a few days old, and if you wish we will wire you on receipt of your subscription what position to take. Or you may enter your subscription now—thus taking advantage of this Special Test Offer—and mark the coupon to have the service start with the next campaign.

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Jan. 19.

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A GLIMPSE INTO THE NOT IMPOSSIBLE FUTURE

(*Continued from page* 551)

said that the country was being ruined by Monopoly. They said that big trusts were crushing the small business man, and were rigging up tariff laws which taxed the pocketbook of the consumer.

And they demanded "Freedom for Business"—freedom of trade, freedom of industry and freedom of commerce, in short, freedom of competition . . .

"But who then are these unhappy men, who know not what they want nor what is for their good? Cannot they see that their efforts are futile, that there is no room for a perfect paradise on earth, that if they want business prosperity they must have Big Business . . ."

"No," said the Seer, "they are humans. But when you are back in your own country, spread the tidings of what you have seen."

Do You Need Help In Solving Your Insurance Problems?

See Page 519

MR. WYCKOFF'S PAGE

(*Continued from page* 485)

fertilizer to increase crops further.

Mining industry likely to respond to improved European conditions where vast amount of replacement and new construction call for copper supplies.

Tire industry looking forward to prosperous year.

Leather industry showing some indications of improvement.

Chain, department store and mail-order concerns doing very satisfactory business.

Public Utilities showing rapid growth. Banking and individual investors being at-

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tracted by high yields and assurance of safety, combined with rapid growth of consumptive power and probable reduction in costs, due to lower-priced materials, fuel, etc.

We believe the time is approaching when sound dividend-paying stocks will no longer sell on a basis of 9 to 15%, but that many common stocks of this quality will meet with a demand which will raise their prices and reduce their yields to around 8%. This would indicate a very material advance in a number of important stocks.

The most powerful interests in Wall Street are evidently not only heavily committed to the bull side, but are working actively in a constructive way in world affairs. It is many years since some of these interests have taken such an active and aggressive part in the field of industry, promotion, original financing, refinancing and consolidation. For the first time in years we see evidence of accumulation of both sound and weak railroad stocks on a very large scale, and it is an indication that the railroad situation has taken on a new and highly important outlook—one which justifies the expectation of large possibilities, otherwise these interests would not be so confident and so strongly prepared for constructive development.

The public, which has been patiently holding railroad securities, particularly those of the weaker roads, should not be influenced into selling them at these levels due to factors described above. We believe this group of stocks has very large possibilities.

In view of all these considerations, we believe that investors are now justified in making commitments in the strongest of the dividend-paying railroad, public utility, petroleum, steel, electrical, equipment, motor and accessory, tire, tobacco, mining and miscellaneous industrial stocks, both common and preferred. We feel assured that, barring unforeseen calamities, 1924 will prove to be a very big year in the stock and bond market and in most lines of business—larger, in fact, than most people have anticipated up to this time.

Monday, January 14, 1924.

Every Audit Should Be

A Detailed Audit

The leaders in practically every field of business now regard the *Detailed Audit* as an absolute necessity. The Reserve Cities Bankers Association, and most of the Credit Associations throughout the country, stand on record as preferring it to the Balance Sheet Audit.

Offering an expert and independent study in *detail* of the items represented *in mass* by balance-sheet figures, the *Detailed Audit* not only verifies, but clarifies. ***It digs beneath the figures and reveals the buried facts.***

Every audit should be a *Detailed Audit.* It brings to light avoidable leaks and wastes. It finds the flaws in accounting, in credit and collection methods. It presents the cause, and the effect, of financial policies. It points to possibilities for greater profits.

Free from the qualified statements of the Balance Sheet Audit, the Detailed Audit is the ideal basis for credit. Complete in its presentation of the *facts* behind the figures, it is the only basis for executive plans and action which lead to progress and success.

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The Book Review

(Latest Publications on Finance and Business)

"COOPERATIVE BANKING"

By Roy F. Bergengren

The author's aim in this book is to explain certain phases of cooperative banking, as exemplified by the credit union, with some reference to other types of cooperative banks.

Thrift promotion, the elimination of usury, the farmer's problem of short-term credits, legitimate investments for small savings—these are a few of the subjects of national concern involved in this publication. The author also makes some illuminating suggestions as to how the banking system might be supplemented by the extension of cooperative banking in order to bring banking service to the great masses of the people, and he sets forth the value of the credit union in a developing democracy.

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289-384 Inclusive December 22, 1923

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As for tributary territory—within 50 miles are 75 good manufacturing towns and 600,000 people; within 75 miles, enough big textile mills to spin 1,000,000 bales of cotton annually, one-tenth the entire 1923 U. S. crop. Greensboro, Winston-Salem and High Point form a close industrial triangle, including 323 factories, $126,000,000.00 capital, which in 1922 made goods worth $305,000,000.00.

Greensboro has business government, low taxation, progressive citizenship, practically no foreign population, 17% good, useful colored folks; six colleges, fine public schools, hospitals, libraries, churches, hotels and clubs.

For men of Initiative, here is a City of Opportunity, a Place to Live, Serve and Prosper.

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Owing to Greensboro's elevation, 843 feet, its climate has none of the summer languor of the Far South—none of the winter rigors of the North. Within a few hours' drive, over good roads, are famous winter resorts—Pinehurst, Southern Pines, etc.—and the equally famous summer resorts of the Blue Ridge Mountains; choice of sea-bathing or mountain-climbing, wonderful hunting, golf or fishing.

SEND FOR FACTS

Write for fact-book entitled "Greensboro, Master Key of the South's Best Markets," Chamber of Commerce, 210 Jefferson Building, Greensboro, N. C.

DIVIDENDS

THE BORDEN COMPANY

Common Stock Dividend No. 57.
Preferred Stock Dividends Nos. 89 & 90.

The regular semi-annual dividend of 4% has been declared on the Common Stock of this Company, payable February 15, 1924, to stockholders of record February 1, 1924.

Regular quarterly dividends of 1½% have been declared on the Preferred Stock of this Company, payable March 15, 1924, to stockholders of record March 1, 1924, and June 15, 1924, to stockholders of record June 1, 1924.

Books do not close. Checks will be mailed.

SHEPARD RARESHIDE, Treasurer.

REYNOLDS SPRING COMPANY,
Jackson, Michigan

On December 31, 1923, the Directors of the Reynolds Spring Company declared a quarterly dividend of 50c. a share on the Common Stock of the Company, payable February 1, 1924, to stockholders of record of January 15, 1924. Transfer books will not close.

Harold D. Kesselring,
Secretary.

CLUETT, PEABODY & CO., Inc.

Common Stock Dividend No. 34.

The Board of Directors has declared a quarterly dividend of One Dollar and Twenty-five cents per share on the Common Stock of the Company, payable February 1, 1924, to stockholders of record at the close of business January 21, 1924. Checks will be mailed by the Irving Bank-Columbia Trust Company.

D. A. GILLESPIE, Treasurer.
Troy, N. Y., January 9, 1924.

KELLY-SPRINGFIELD TIRE CO.

A Quarterly Dividend of two dollars ($2.00) PER SHARE on the Eight Per Cent Preferred Stock of this Company has been declared payabe February 15, 1924, to stockholders of record at the close of business February 1, 1924.

C. P. STEWART-SUTHERLAND,
Secretary.
New York, January 2, 1924.

SAVANNAH SUGAR REFINING CORPORATION

The Directors of Savannah Sugar Refining Corporation have declared the regular quarterly dividend of 1¾% on the preferred stock, as well as a dividend of $1.50 per share on the common stock of the Company, both payable February 1, 1924, to stockholders of record at the close of business January 15, 1924. Checks will be mailed.

W. S. PARDONNER, Treasurer.

ORPHEUM CIRCUIT, Inc.

January 4, 1924.

The above named company has decided to pay dividends on its common stock monthly, and has this day declared a dividend of 12½ cents a share, payable February 1st, 1924, to stockholders of record at the close of business on January 20, 1924.

The stock transfer books of the company will not be closed.

B. B. KAHANE, Secretary.

WESTINGHOUSE ELECTRIC
& MANUFACTURING COMPANY

A dividend of two per cent ($1.00 per share) on the COMMON Stock of this Company for the quarter ending December 31, 1923, will be paid January 31, 1924, to Stockholders of record as of December 31, 1923.

H. F. BAETZ, Treasurer.
New York, December 19, 1923.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$4	Allis-Chal Mfg com.	$1.00	Q	1-24	2-15
$8	Amalgam'd S 1st pf	$2.00	Q	1-17	2- 1
$5	Amer Bk Note com	$1.25	Q	2- 1	2-15
$5	Amer Can com....	$1.25	Q	1-31	2-15
—	Amer Can com.....	$1.00	Ext	1-31	2-15
$6	Amer Cigar com...	$1.50	Q	1-15	2- 1
$6	Amer Gas	$1.50	Q	1- 2	1-15
7%	Amer Ice com.....	1¾%	Q	1- 8	1-25
6%	Amer Ice pfd......	1½%	Q	1- 8	1-25
$1	Amer LaF F E....	25c	Q	2- 1	2-15
$4	Amer Lt & T com.	$1.00	Q	1-11	2- 1
4%	Am Lt & T c (stk)	1%	Q	1-11	2- 1
6%	Amer Lt & T pfd..	1½%	Q	1-11	2- 1
$5	Amer. Sm & R com	$1.25	Q	1-11	2- 1
$7	Amer Sm & R pfd.	$1.75	Q	2- 8	3- 1
7%	Appalachian Pr pfd	1¾%	Q	12-31	1-15
7%	Appalachian P 1st pf	1¾%	Q	1-15	2- 1
5%	Assoc Dry Gds com	1¼%	Q	1-12	2- 1
6%	Assoc D Gds 1st pf	1½%	Q	2- 9	3- 1
7%	Assoc D Gds 2d pf	1¾%	Q	2- 9	3- 1
6%	Atchison com......	1½%	Q	1-25	3- 1
6%	Atlas Powder pfd...	1½%	Q	1-19	2- 1
5%	Balti & Ohio com..	1¼%	Q	1-12	3- 1
1%	Balti & Ohio pfd..	1%	Q	1-12	3- 1
$1	Blyn Shoes Inc....	25c	Ini	1-15	1-31
$4	Brown Shoe com...	$1.00	Q	2-20	3- 1
$7	Brown Shoe pfd...	$1.75	Q	1-21	2- 1
$5	Checker Cab Mfg A	$1.25	Q	1-15	2- 1
$5	Chicago Pneu Tool.	$1.25	Q	1-15	1-25
5%	Cinn, N Orl & T pf	1¼%	Q	....	3- 1
$8	Commonw'h Edison	$2.00	Q	1-15	2- 1
$3	Congoleum Co com	75c	Q	1-15	1-30
$6	Consolidation Coal..	$1.50	Q	1-15	1-31
$6	Corn Pdts Ref com	$1.50	Q	1- 5	1-19
—	Corn Pdts Ref com	75c	Ext	1- 5	1-19
$7	Corn Pdts Ref pfd.	$1.75	Q	1- 5	1-15
12%	Del, L & W R R..	3%	Q	1- 5	1-21
8%	Detroit Edison.....	2%	Q	12- 2	1-15
6%	Detroit United Ry..	1½%	Q	2- 1	3- 1
$6	El Paso El pfd....	$3.00	SA	12-22	1-14
$2	Exchange B Corp..	50c	Q	1-21	1-31
$10	Fajardo Sugar.....	$2.50	Q	1-15	2- 1
64c	Fifth Ave Bus......	16c	Q	1- 2	1-17
$10	Fisher Body com...	$2.50	Q	1-21	2- 1
7%	Gimbel Bros pfd...	1¾%	Q	1-15	2- 1
5%	Gt Northern Ry pf	2½%	SA	12-27	2- 1
$8	Gray & Davis pfd..	$2.00	Q	1-21	2- 1
7%	Hercules Powder pf.	1¾%	Q	2- 5	2-15
$4	Hurley Machine com	$1.00	Q	12-29	1-14
—	Hurley M c (stk)..	2½%	Ext	12-29	1-14
$6	Internat Nickel pfd.	$1.50	Q	1-17	2- 1
—	Jordan M Car (stk)	600%	—	....	....
$7	Kelsey Wheel pfd..	$1.75	Q	1-21	2- 1
4%	Kress S H com....	1%	Q	1-19	2- 1
8%	Lord & T 2nd pf..	2%	Q	1-21	2- 1
10%	Louisville & N.....	2½%	Q	1-15	2-11
$5	Manati Sugar com..	$1.25	Q	2-15	3- 1
$2	Miami Copper......	50c	Q	2- 1	2- 5
$3	Moon Motor Car...	75c	Q	1-15	2- 1
7%	Nash, C & St L Ry	3½%	SA	1-19	2- 1
$14	Nash Motors com..	$3.50	Q	1-18	2- 1
—	Nash Motors com..	$1.50	Q	1-18	2- 1
$7	Nash Motors pfd...	$1.75	Q	1-18	2- 1
7%	Natl Dept St 1st pf	1¾%	Q	1-15	2- 1
7%	Natl Dept St 2d pf.	1¾%	Q	2-15	3- 1
8%	N J Zinc..........	2%	Q	1-31	2- 9
8%	Otis Elevator com..	2%	Q	12-31	1-15
6%	Otis Elevator pfd..	1½%	Q	12-31	1-15
8%	Penmans Ltd com..	2%	Q	2- 5	2-15
6%	Penmans Ltd pfd..	1½%	Q	1-21	2- 5
5%	Pere Marquette pfd	1¼%	Q	1-15	2- 1
5%	Pere Marq pr pfd..	1¼%	Q	1-15	2- 1
$4	Phila Co com......	$1.00	Q	1-14	1-31
7%	Phillips Jones pfd..	1¾%	Q	1-19	2- 1
$1.60	Pick Albert com...	40c	Q	1- 2	2- 1
$6	Pittsburgh Coal pf.	$1.50	Q	1-10	1-25
$5	Pitts & Lake Erie..	$2.50	SA	1-11	2- 1
6%	Quaker Oats pfd...	1½%	Q	2- 1	2-20
$2	Reynolds Spring c..	50c	Q	1-15	2- 1
$6	Savannah Sug com	$1.50	Ini	1-15	2- 1
$7	Savannah Sug pfd..	$1.75	Q	1-15	2- 1
—	Shel T & T Am sh	85½c	Q	1-17	1-26
$4	Sterling Pdts.......	$1.00	Q	1-12	2- 1
$4	Sullivan Mach com.	$1.00	Q	1-15	1-31
—	Sullivan Mach (stk)	10%	—	....	....
$1.80	Swift Internacional.	90c	SA	1-15	2-15
$7	Tobacco Pdts Cl A.	$1.75	Q	1-31	2-15
$3	Tranaue & Williams	75c	Q	1- 1	1-15
$6	Union Bag & P....	$1.50	Q	1- 5	1-15
$12	United Cigar Stores	$3.00	Q	1-16	2- 1
$4	United Verde Ext M	$1.00	Q	1- 2	2- 1
7%	U S Radiator pfd..	1¾%	Q	1- 1	1-15
7%	U S Realty & I pfd	1¾%	Q	1-21	2- 1
7%	West Penn Pr pfd.	1¾%	Q	1-15	2- 1
$6	Wrigley Co com...	50c	mo	2-25	3- 1

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The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standing. They will be sent free on request, direct from the issuing house. Ask for them by number. *We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.*

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A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225)

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A booklet describing a real estate security which embraces safety, a dependable income—a tax free investment—State supervision — and yielding 9%. (257)

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BUILDING UP A MARKET POSITION

(Continued from page 539)

per profits (buying more and more with profits as prices advance), it starts very early and ends too soon! It follows the famous Rothschild dictum of buying near the bottom (but not at the bottom), and selling out near the top, but often very far from the top. It emulates Charles Dow's idea of viewing the long swing movements as a yardstick, and taking about twenty-four inches out of the center—leaving six inches at the bottom, and six inches at the top, for your neighbor, which is Wall Street's Golden Rule.

To begin with, our friend must be reasonably right on the broad, long swings, but not infallible. He has taken losses through beginning too soon. He has bought, as he thought, at the bottom, and saw a fairly substantial chasm follow his "bottom"; conversely, sold short too soon and had to cover at a fair (but not a staggering) loss. He never takes large losses, and possesses a Chinaman's patience at keeping, holding on, and hanging on to his profits—letting them run on beyond all average endurance that we have ever seen. He utterly ridicules the statement, "One never goes broke taking a profit," contending that it is not a question of your commitment, or the price you paid, or how many points it has gained since you bought. As he words it, "Just forget yourself, and think of Morgan, Mellon, and Rockefeller—try and think what they are thinking—they are the only people that count! Of course, he is both literal and graphic, and doesn't want to be taken too seriously, yet he excludes the personal element altogether, figuring that nothing need be bought nor sold based on your personal position. Only your situation in the long trend, and your relation to it, counts. Prices are mere ciphers to him, so that when in the war markets stocks made double, treble and four times par he was not sceptical, but went with them, so long as they showed a long-pull inclination to keep on climbing. He discarded his personal opinions, as he does today.

His Position

He builds a position in bull and bear markets by acting slowly and deliberately through the minor cycle. He buys a little of his selected issue—selections limited to qualifications shown—sees it rise, react, get steady, and begin rising again. He does not necessarily nor arbitrarily buy in "new high ground." He tries his best to anticipate new high ground, being helped by the action of the general market, fundamentals, the actions of his fellow traders, the publicity given favorable (or unfavorable) business developments—all of which influence the buying public, and "decide the insiders." He tries above all things to put himself in the other fellow's place, preferably Morgan, Mellon, et al.'s place, and to think in terms of Big Business and Big Money.

Are You Receiving the *Right Kind* of Investment Protection?

If an individual owned a $5,000 automobile he would not hesitate about paying $200, perhaps, to insure it against fire and theft, and yet the same man (or woman) may be carrying along a list of investments valued at $100,000 or more, with no insurance other than public news or the uninterested *free advice* of friends!

The science of successful investment becomes more difficult and complicated as widespread economic changes undermine the old idea of "impregnable investments."

Investors are finding it dangerous to rely entirely upon their own judgment. Complete dependence on selling houses has obvious drawbacks, while *free advice* from *any* source is scarcely adequate.

This Service, through its personal letter advices and constant supervision of your entire security list, provides *investment insurance* of the highest order.

If, as an individual with a substantial sum to invest, a trustee, an officer of a bank or other organization, you are interested in the most advantageous investment of capital, do not fail to find out just what we can do for you.

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